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FINANCIAL TIMES

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WORLD TRADE
Finland reassesses Soviet links
Page 3

World News

Poland finally agrees new coalition cabinet

Poland's first government since the Second World War in which the Communists have agreed to play a minority role finally took shape as Tadeusz Mazowiecki, the Solidarity Prime Minister, completed negotiations with his coalition partners.

The Communists will have a deputy premiership and retain the control of the Defence, Interior, Transport and Foreign Trade portfolios. They have had to accept a non-party member, Prof. Krzysztof Skubiszewski, as Foreign Minister.

Bush lauds Bogota

President Bush said the extradition of reputed drug trafficker Eduardo Martinez Romero marked an important test of Colombia's resolve to deal with the scourge of narcotics. Page 18

Honecker pressed

Erich Honecker, East Germany's ailing leader, faced growing pressure within his Socialist Unity (Communist) Party to step down in favour of a younger man more likely to acknowledge the extent of popular dissent. Page 2

NZ warships vote

New Zealand's Labour MPs overwhelmingly voted to take part in the controversial Australian Anzac project to build naval frigates. Page 6

Non-aligned summit

The non-aligned countries ended their four-day summit in Belgrade with a declaration noticeably softening their previous anti-Western stance. Page 7

Burma torture claim

The US said it had reliable reports that some political prisoners in Burma had been tortured to death since a crackdown on the opposition began 45 days ago.

Marcos goes on trial

The Philippines opened a civil suit against deposed President Ferdinand Marcos that alleges he and his wife used public funds to buy four New York properties valued at $350m. Page 6

Japan ends cartel

Japan's Fair Trading Commission is likely to order an end to a cartel of 24 shipbuilders established by the Government when the industry was in decline. Page 2

Greek election set

Greece's conservative-communist coalition Government said a general election would be held on November 5, the second this year.

Eritrean peace talks

Ethiopian government and Eritrean guerrillas began talks under the mediation of former US President Jimmy Carter at ending a 28-year civil war that has traumatised their country.

Cubans quit Ethiopia

Cuban troops sent to Ethiopia to help the Marxist government in its war against Somalia will start leaving in two days, Cuban officials said.

Pissarro stolen

Six paintings valued at more than $450,000, including one by French impressionist Camille Pissarro, were stolen from Stockholm's Millesgarden museum.

Business Summary

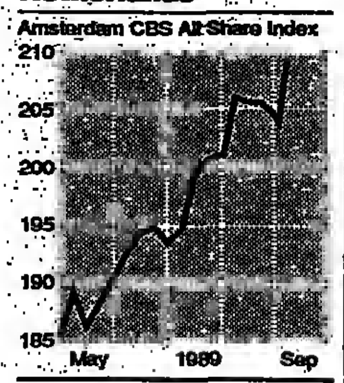
Saatchi shares rise as US group takes stake

SHARES in Saatchi & Saatchi, the world's leading advertising agency, jumped 11p to 321p after a Tennessee-based investment management group, Southeastern Asset Management, emerged with a 9.4 per cent stake.

The acquisition will increase speculation about the future of Saatchis which announced in June it wants to refocus on communications and is prepared to sell its consultancy arm. Page 19

NETHERLANDS Stock Market: the Amsterdam market reached a record high on heavy buying following Prime Minister Ruud Lubbers' victory in Wednesday's general election. The CBS all-share index reached a new high of 209.5, up 2.8. Markets page 39

Netherlands



TOYOTA Motor, Japan's largest car maker, is investing $215m to develop components production at its factories in four south-east Asian countries. Page 8

NISSAN and Toyota, two leading Japanese car makers, are to equip their luxury cars exported to the US to take phones made by Motorola, the US phone maker it clashed with early this year. Page 3

CANADIAN Imperial Bank of Commerce, the country's second largest chartered bank, reported a 40 per cent rise in third quarter profit to C$195m ($167m) helped by reduced loan losses. Page 22

BRITAIN'S coal industry would contract significantly if it were broken into separate operating companies ahead of privatisation, a confidential British Coal report said. Page 9

ALAN Bond: Australian stock market regulators are to investigate transactions involving the entrepreneur's quoted flagship company, Bond Corporation, and its Bell Resources subsidiary. Page 19

BP Canada put its 50 per cent holding in the Wolf Lake heavy oil project in East Central Alberta up for sale as part of a restructuring of its energy business. Page 20

RENAULT, France's profitable state-owned car maker, reshuffled its top management to prepare the succession to Raymond Levy, the chairman, who retires in three years. Page 19

SEAGRAM Company, Canadian spirits and wines group, said earnings for the second quarter rose 20 per cent to $394m. Page 22

ASEA Brown Boveri, Swiss-Swedish heavy electrical engineering group, will pay around DM480m ($246m) for the 22 per cent of shares it does not already own in its large West German subsidiary. Page 20

WESTERN Mining Corp, Australian company, said strong earnings from aluminium and nickel helped contribute to a record operating profit of A$322.8m ($245m), up 77 per cent. Page 22

QBE Insurance, Australia's largest international general insurer, reported a 28 per cent increase in operating profit to A$37.7m ($29m). Page 22

Violence accompanies National Party's return to power ● Majority much reduced

S African death toll rises

By Patti Waldmeir in Johannesburg

SOUTH AFRICA experienced one of its bloodiest days of political violence yesterday following elections which returned the ruling National Party to power, but with a much reduced majority.

As polling results came in showing an unexpectedly strong performance by the liberal Democratic Party, details emerged of some of the worst township violence seen in South Africa for several years.

Archbishop Desmond Tutu, speaking early in the day, said 23 black and coloured people had been killed in townships around Cape Town, although later reports spoke of 25 deaths and more than 100 injuries.

South African police disputed the figures, however, saying that at least seven people had died, but denying that as many as 23 deaths had occurred.

If the final toll comes up to the higher figures, the polling day violence would make it one of the worst single days in South Africa's history.

Rev Allan Boesak, a leading anti-apartheid activist, said Mr de Klerk's presidency "now sits in a pool of blood" because of the violence which attended his electoral victory.

"I don't know how people can become vaguely excited about these elections when on the same night the man with a new vision [Mr F.W. de Klerk] has allowed this kind of massacre to take place," Mr Boesak said.

Mr F.W. de Klerk, who is almost certain to become South Africa's president next week, treated the election result as a mandate to continue the National Party's gradual reform of apartheid.

The party secured 93 seats out of the 165 declared, which was sharply down from the 123 won in the last white elections.

However, party officials took comfort in the fact that the feared challenge from the far-right Conservative Party only led to it taking 39 seats, a 4.5 percentage point gain over its showing at the last white elections in May 1987.

A warning that the new Government is expected to make rapid progress on its promise of reform came yesterday from Sir Geoffrey Howe, Britain's deputy prime minister, who raised the spectre of tougher economic sanctions.

Sir Geoffrey, who was Foreign Secretary until last July's cabinet reshuffle, noted that Mr de Klerk's statement said his party had won a "mandate for reform."

"We hope, and I have reason to believe, he wants to use that [mandate]," Sir Geoffrey told a luncheon of the Association of American Correspondents in London.

"If he does not, then holding the line against punitive sanctions will be infinitely more difficult," he said.

However, this warning, the toughest yet from a British minister, was not repeated by Mr John Major, Sir Geoffrey's successor as Foreign Secretary. He told the BBC that British opposition to tough sanctions was the "logical course," and repeated the arguments made against them by Mrs Margaret Thatcher, the Prime Minister, including the view that they "would hurt the weakest most."

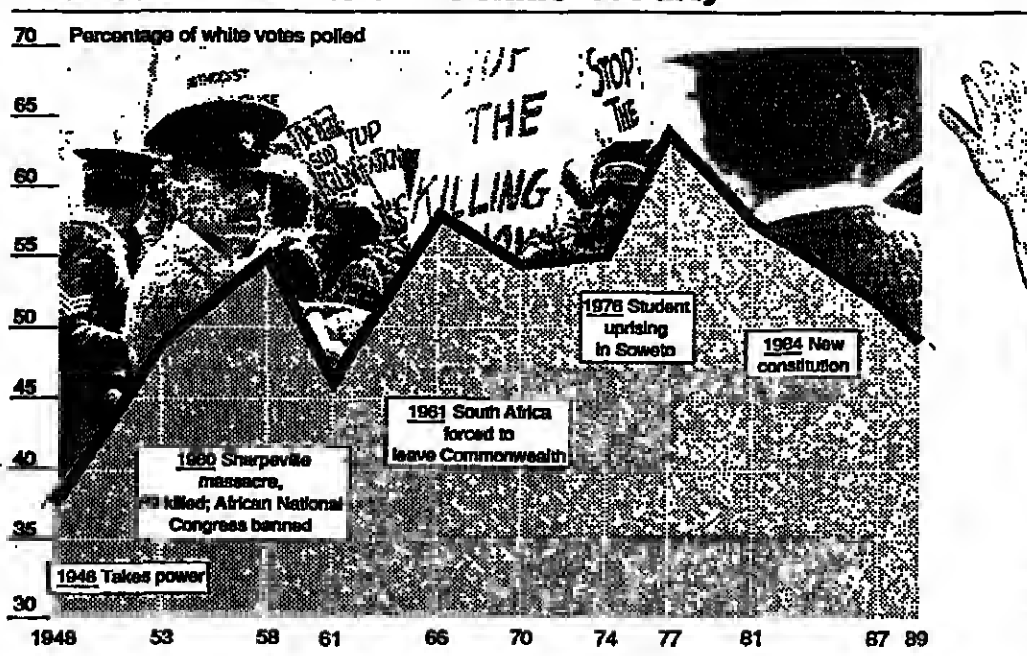
Early yesterday morning, when the result of the election first became clear, Mr de Klerk said that the extension of political rights to blacks had been supported by most of the electorate.

The fact that blacks remain excluded from national elections had prompted a six-week defiance campaign by anti-apartheid activists which was marked by numerous violent confrontations with police. However, there had been few deaths until election day, when violence around Cape Town worsened dramatically.

Many of the deaths appear to have occurred on Wednesday night, with the South African Press Association reporting that police fired repeatedly on groups of youths dancing around burning barricades erected to block township streets.

The violence surrounding the defiance campaign, which included a strike on election day by between 2m and 3m black workers, did not have the anticipated effect on polling for the white parliament.

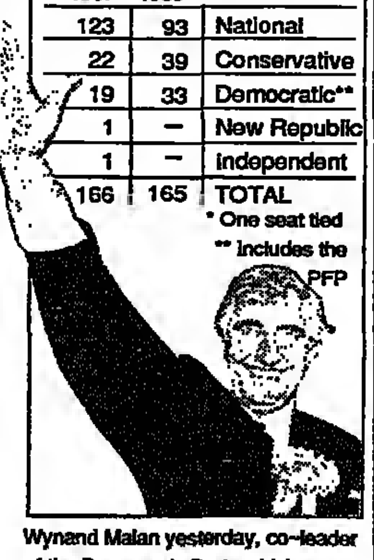
The rise and decline of the National Party



State of the parties

1987	1989*	
123	93	National
22	39	Conservative
19	33	Democratic**
1	–	New Republic
1	–	Independent
166	165	TOTAL

* One seat tied
** Includes the PFP



Wynand Malan yesterday, co-leader of the Democratic Party which won 33 seats in its first election.

Continued intervention fails to halt demand for dollar

By Simon Holberton, Economics Staff

EUROPEAN and North American central banks yesterday entered the open market to sell dollars for the second time this week.

The banks' actions, however, appeared to leave the market's appetite for the US currency undiminished.

The decision yesterday by the Bundesbank, the West German central bank, to leave its discount and Lombard interest rates at 5 per cent and 7 per cent respectively encouraged renewed dollar buying. But analysts said investors remained positive towards the dollar.

In London, the dollar ended a pfennig higher at DM1.9850 and half a yen firmer at Y146.90, a little off its highs for the day. By mid-session in New York it was quoted at DM1.9860 and Y146.90.

Analysts expect next week's clutch of US economic figures, which culminate on Friday with the July trade figures, to support the view that the US economy is growing at a rate consistent with steady to declining inflation. This could help the dollar move higher, they believe.

Yesterday's renewed intervention by 12 central banks, including the US Federal Reserve, the Bundesbank and Bank of England, came a day after the Fed released figures in New York showing a record level of dollar sales between May and July this year.

The Fed sold an unprecedented $11.9bn during that three-month period – consisting of $7.2bn of dollar sales for yen and $4.7bn of dollar sales for D-Marks – and was the largest intervention it had made in a three-month period since records were begun in March 1973.

The Fed's recent intervention underlined the strength of investor support behind the dollar. The effort required to quell the dollar strained relations within the Group of Seven leading industrialised countries, with the Bundesbank at one stage withdrawing from co-ordinated actions.

European central bankers said yesterday the Fed and the Bank of Japan, which sold dollars earlier in the day, have carried the main weight of the intervention and sold dollars in the hundreds of millions.

Government bonds, Page 31; Money Markets, Page 33; World Stock Markets, Pages 34 and 35

BNL Iraqi export credits scandal widens

By Alan Friedman in Milan, Victor Mallet in Baghdad and Simon Henderson in London

BRITISH, American and Italian companies involved in trade with Iraq in militarily useful equipment and technology may have been among the beneficiaries of around $100m of unauthorised loans by the Atlanta, Georgia branch of Banca Nazionale del Lavoro (BNL), the leading Italian bank.

This information is believed to be contained in documents handed over to the Italian authorities by the troubled state bank whose chairman, Mr Nerio Nesi, was expected to resign following a prolonged emergency board meeting being held yesterday.

The companies include Matrix-Churchill, a UK-based engineering concern owned by a holding company set up largely by Iraqi money.

Mr Paul Henderson, the company's managing director, said that a small element of its exports to Iraq consisted of defence equipment and that every machine had been given an export licence by the Department of Trade and Industry.

The companies did, however, include at least one Rome-based business, the chairman and managing director of which are under investigation by Italian judicial authorities for allegedly having participated in the illegal sale of ballistic missile technology to the Iraqi-Egyptian-Argentine Condor 2 missile project.

This is a plan to build a longer-range missile capable of carrying nuclear or chemical weapons. Its deployment could alter the strategic balance of power in the Middle East.

The bank declined to comment last night on any details concerning the companies suspected of having their military trade with Iraq financed by its Atlanta branch.

A senior bank executive in Rome confirmed that "all material and information we have about all Atlanta transactions are being reported to Italian judicial authorities."

The bank has asked a Rome magistrate to launch a criminal investigation into Mr Chris Drougoul, the 36-year-old Atlanta branch manager who is already being questioned by the Atlanta district attorney.

The supply of funds from BNL's Atlanta branch to companies suspected of involvement in weapons-related trading is the latest element to emerge in the international investigation of a scandal involving the extension by Atlanta of $1.7bn of unauthorised Iraqi export loans.

BNL disclosed yesterday that its Atlanta branch had agreed to extend a total of $2.6bn of unanthorised Iraqi export loans to US and European companies, of which $920m were not disbursed. The bank said it had received confirmation from Washington that some $720m of Atlanta-generated export credits were covered by guarantees from the Commodity Credit Corporation (CCC).

This leaves a final $1.02bn of Iraqi export credits that are counter-guaranteed by the Iraqi central bank.

The Iraqi Finance Minister said yesterday that Iraq would honour the guarantees given by the country's Central Bank to cover letters of credit issued by the Atlanta, Georgia, branch of Banca Nazionale del Lavoro.

Continued on Page 18

UK company confirms sale of weapons machinery to Iraq

By Nick Garnett and Richard Donkin in London

MATRIX-CHURCHILL, the UK-based machine tool company named in the BNL affair, confirmed yesterday that it had sold to Iraq machinery that was used in making components for defence equipment. It said, however, that this was only a small element of its exports to Iraq and that the defence equipment was conventional.

The granting of export licences by the UK's Department of Trade and Industry is subject both to the Missile Technology Control Regime, in which the US and Italy are also partners, and to British curbs on arms exports to Iraq and Iran. These forbid supply of lethal weapons or equipment that could significantly enhance the military capacity of either side.

Mr Paul Henderson, the company's managing director said yesterday that all the equipment it had supplied had to comply with UK and EC laws and every machine had carried an end user certificate and had been given an export licence by the DTI.

He said he "could safely say" that none of its machines had been used to make components for missiles.

Matrix-Churchill, a member of the UK machine tool industry's trade association, manufactures computer-controlled machining centres, lathes and grinding machines and sells complete machining systems.

"Even if some machines had gone into defence areas I don't see anything wrong with that," said Mr Henderson. "They cannot produce anything but that which will contribute to the making of conventional type weapons. We have hidden absolutely nothing."

Mr Henderson confirmed that Mr Chris Drougoul, the head of BNL's Atlanta's branch which is under investigation by US and Italian authorities, had visited the plant but had been on the site for just a few hours to discuss financial arrangements

Matrix-Churchill, one of the largest machine tool companies in the UK was purchased from the TI Group in October 1987. The buyer was a holding company, TMG Engineering, a UK-registered company set up largely by Iraqi money channelled partly through West Germany's Dresdner Bank.

Four British directors, including Mr Henderson, took a 7.5 per cent stake in TMG with the option of raising it to 40 per cent. The other shareholder was the Technology and Development Group.

However, the ultimate holding company was listed in the notes to the financial statements for Matrix-Churchill for the period ending March 31, last year as the Al-Arabi trading company, incorporated in Iraq.

Export credit guarantees for Matrix-Churchill exports to Iraq had been arranged through Lloyds Bank and the Dresdner Bank

MARKETS

STERLING
New York lunchtime: $1.5465
London: $1.546 (1.5525)
DM3.0675 (3.065)
FFr10.335 (10.3275)
SFr2.6475 (2.645)
Y227.0 (227.25)
£ index 90.9 (same)

GOLD
New York: Comex $366.0 (Dec)
London: $359½

N SEA OIL (Argus)
Brent 15-day $17.87 (+0.055) (Sept)

Chief price changes yesterday: Page 18

DOLLAR
New York lunchtime: DM1.9855
FFr6.699
SFr1.715
Y147.025
London: DM1.985 (1.975)
FFr6.685 (6.6525)
SFr1.7125 (1.704)
Y72.6 (72.3)
$ index 72.6 (72.3)
Tokyo close: 146.87

US LUNCHTIME RATES
Fed Funds 9%
3-mo Treasury Bills: yield: 8.036%
Long Bond: $100\frac{1}{32}$
yield: 8.077%

STOCK INDICES
FT-SE 100: 2,415.9 (+25.1)
FT Ordinary: 1,999.1 (+20.4)
FT-A All Share: 1,221.83 (+1%)
FT-A long gilt yield index high coupon: 9.49 (9.5)
New York lunchtime: DJ Ind. Av. 2,723.97 (+4.18)
Tokyo: Nikkei 34,152.56 (-118.75)

LONDON MONEY
3-mo interbank close: $14\frac{1}{32}$% ($14\frac{1}{32}$-14)

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

CONTENTS

Ruud Lubbers, most popular post-war Dutch politician

Mr Ruud Lubbers (left), the Dutch Prime Miniater, has proved himself the most popular politician in the country's post-war history. He is virtually assured of a third term and a chance to burnish his image as a European statesman. Page 18

Angry Nerio Nesi works on as speculation mounts about successor

BNL executives struggle to ride the storm

By Alan Friedman in Rome

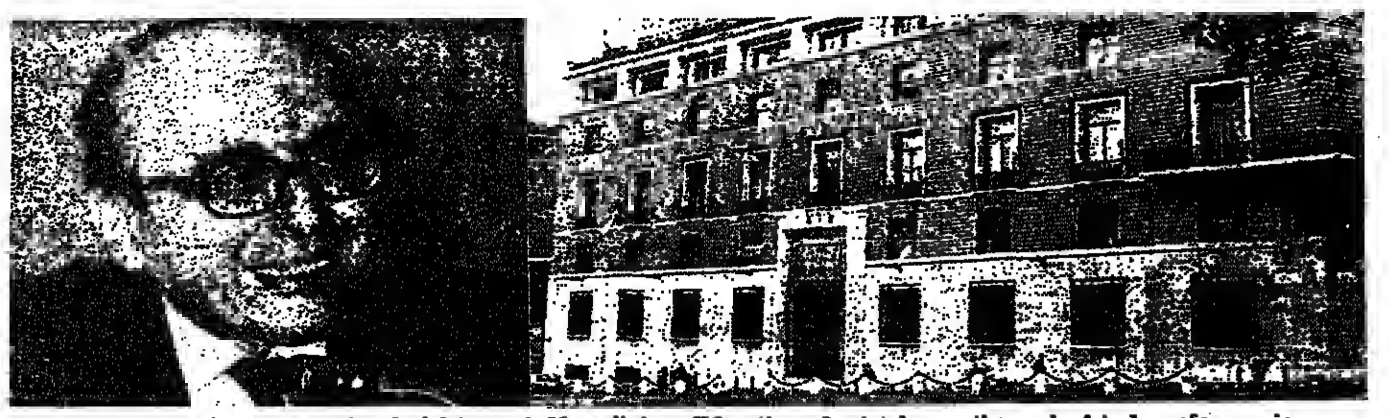
IN THE high-ceilinged anteroom to Mr Nerio Nesi's presidential suite at the Via Veneto headquarters of Banca Nazionale del Lavoro (BNL) in Rome there hangs a silver-lined oil painting that was given to the Italian bank in 1983 by Spain's Banco de Bilbao as a present to mark BNL's 70th anniversary.

The painting is curiously vague, a huge smudge of cloudy grey skies that can appear to be either comforting or ominous, depending upon one's mood.

Yesterday morning, for the harassed and sleepless top executives of BNL the latter sentiment would have most certainly triumphed over any reassuring aesthetic.

The mood at BNL's Mussolini-era headquarters was one of quiet desperation and a fair dose of paranoia, syncopated by the frenzied traffic of senior and junior bankers along the wide marble corridors. Never did a group of bankers look more grave. For the 64-year-old Mr Nesi, yesterday was dubbed by the Italian press "his longest day".

The BNL chief began his day with a lengthy executive committee in the morning, still simmering from his stormy meeting on Wednesday with Mr Guido Carli, the Christian Democrat Treasury Minister, who had demanded his resignation in connection with the bank's Iraqi loan scandal.



Mr Nerio Nesi and the Banca Nazionale del Lavoro's Mussolini-era HQ: a time of quiet desperation and a fair dose of paranoia

So irate was Mr Nesi on Wednesday – believing that he was the victim of a scandal in far-off Atlanta, Georgia, that was not his direct fault – that he left the minister's office refusing to shake Mr Carli's hand.

While Mr Nesi was stewing yesterday, the Bank of Italy was pondering a series of extraordinary measures

These range from closing down BNL's Atlanta branch to insisting on a series of asset disposals by BNL that would slim the bank's awkwardly disparate subsidiary structure.

The Bank of Italy is convinced that BNL faces neither a solvency nor liquidity problem despite the risk of more than $1bn of Atlanta-dispensed Iraqi loans which carry only the guarantee of Iraq's central bank.

Bankers inside and outside of BNL were, meanwhile, playing a traditionally Roman guessing game about who Mr Nesi's successor might be. Early rumours that the job might go to Mr Lamberto Dini, the respected deputy governor of the Italian central bank, faded by mid-afternoon. But that did not stop all of political and financial Rome from making the BNL succession issue into a non-stop game of gossip.

Batteries of BNL officials are meanwhile co-operating with central bank inspectors and still nobody seems able to understand how it was possible for the obscure Atlanta branch to hand out so much money to US and European exporters to Iraq without anyone in Rome detecting a penny.

Even the Georgia state banking authorities issued a satisfactory inspection report last March. In Rome, however, such detailed considerations are of a distinctly subsidiary nature.

The BNL affair, like the cloudy grey painting in Mr Nesi's anteroom, is the most ominous and depressing Italian bank scandal to come to light since the 1982 crash of Banco Ambrosiano.

And yesterday morale at BNL's Rome headquarters reflected as much.

Atlanta's bankers wonder about the quiet Italian

By Roderick Oram in Atlanta

FOR 10 years Mr Chris Droogoul led a shadowy work and social life in Atlanta, making only minimal contact with other members of the city's international banking and commercial community. Now he is at the centre of a rapidly widening international financial scandal. "We realise there was an awful lot to him we knew nothing about," one banker said yesterday.

"It's a severe disappointment to other foreign banks in the south-eastern states and to our clients," added a second banker. However, he and others believed no institution will suffer repercussions other than the local branch of Banca Nazionale del Lavoro which Mr Drougoul managed.

"All the other offices here have been dull and boring and producing quite good results for their foreign parents," a style and performance bankers say they hope will continue.

The first foreign banks arrived in Atlanta in the mid-1970s to cash in on the city's rapid growth as the regional capital of the south-eastern US.

Today, more than 30 have representative offices here, giving rise "to a fair amount of pride that Atlanta is moving rapidly into world financial markets," added another banker. Like all his colleagues, he asked not to be named because of the acute sensitivity at home and abroad of the scandal.

Banks have not only benefited from the strength of the regional economy, but also from a fast growing inflow of foreign funds. "We've got quite an elite of wealthy Latin Americans who are trying to get away from the Miami scene," he added.

Mr Drougoul played a part in the international banking community's growth, working first at the local branch of Barclays, of the UK, before switching about 1982 to the office of BNL.

He took an even lower profile at BNL than at Barclays. "We were never quite sure what BNL was doing. We heard they were quite involved in commodity lending, but we never saw them involved in commmercial credits like us," one banker said.

Mr Drougoul even shunned the social ties an international banker usually cultivates within the national community of his parent bank. "He was not involved in the local Italian community at all," said Mr Piero Tarantelli, the Italian trade commissioner in Atlanta. "I've been here six months and had only one informal lunch with him."

One banker who had some contact with Mr Drougoul over the years say he is tall and blond with "an attractive continental flair. He has a very outgoing and charming personality." Reports on his background vary widely. Some people say he grew up in the US, while others believe he is French with family ties to either North Africa or the eastern Mediterranean.

Growing concern over Western aid for Third World's missiles

By David White and Simon Henderson in London and Tony Walker in Cairo

CONCERN ABOUT Western industrial help for developing countries' ballistic missile programmes has grown rather than shrunk in the two years since six Nato countries and Japan made an informal pact to restrict export of the necessary technology.

It has focused in particular on Argentina, with its medium-range Condor II programme, and on Iraq, which has its own projects for Soviet-derived missiles and is also believed to be associated with Argentina and Egypt in the Condor II.

The British Foreign Office said yesterday it had challenged Iraq on the Condor link and had received no denial. Iraq is reported to have three plants dedicated to the project.

If the UK were aware of illegal exports of technology or equipment, the companies concerned would be prosecuted, officials said. But certain kinds of equipment that could be used in missile factories might not be caught by the restrictions on granting export licences, and might therefore be sent legally.

The granting of export licences by the UK's Department of Trade and Industry is subject both to the Missile Technology Control Regime, in which the US and Italy are also partners, and to British curbs on arms exports to Iraq and Iran. These forbid supply of lethal weapons or equipment that could significantly enhance the military capacity of either side. Britain also bans arms sales to Argentina following the 1982 Falklands conflict.

It is believed that a proposed export of machine tools to Iraq by companies such as those cited in the Banca Nazionale del Lavoro scandal would have come under close scrutiny. The Foreign Office said the criterion was the nature of the equipment itself.

The DTI said it could not comment on individual applications for export licences. How an export was financed would not be relevant.

British anxiety over the missile programme was evidenced by the recent refusal, on Foreign Office advice, of a Northern Ireland Industrial Development Board grant to Canira, a company which bought a former Lear Fan factory in Northern Ireland. Canira is owned half by Space Research Corporation of Canada and half by the Iraqi-controlled Technology Development Group.

However, British officials said the purchase of the factory, a leftover from an abortive aircraft venture, could go ahead. There was also nothing to stop it producing parts for weapons if it sought to do so – only to stop it exporting those products or machinery from the plant.

> The British Foreign Office said yesterday it had challenged Iraq on the Condor link and had received no denial

Iraq is known to have spent heavily on programmes based on Soviet Scud missiles. These include the 600km-range Al-Hussayen and the development and testing of the 900km Al-Abbas. The Condor II is also believed to have a range of about 900km, but it has apparently not been tested and it is thought that completion is some years away.

The two-stage, solid-fuel missile would be capable of carrying a small nuclear or chemical warhead. But the Stockholm International Peace Research Institute said recently it was "extremely unlikely" that it was designed as a nuclear weapon delivery vehicle.

The missile follows Argentina's single-stage Condor I space research rocket, with a range of 100km-150km, in which several European companies and technicians were involved. Investigations have been undertaken in West Germany and Italy into allegations relating to the Condor II, involving former employees of Snia-BPD, a Fiat-controlled rocket engine company, and a subsidiary of Messerschmitt-Bölkow-Blohm of West Germany. Snia-BPD and MBB were both involved in Condor I, as was Sagem of France.

Mr Duncan Lennox, a guided weapons expert and co-editor of Jane's Strategic Weapon Systems, yesterday called into question the degree of Iraq's current involvement in the programme, and said the existence of industrial sites in Iraq directly related to Condor II was unproven.

Iraq was initially reported to be involved as a financial backer for the project, which has worried the UK as a potential threat to the Falklands, and the US as a potential threat to Israel. Technicians of various nationalities were known to be assiting with development work in Argentina, Mr Lennox said. Egyptian collaboration with Argentina on the missile was disclosed in late 1987.

Last year several Egyptian nationals and military officers were arrested in the US on charges of trying to smuggle out "carbon-carbon" material usable for missile nose-cones.

The case has been particularly embarrassing for the US and Egypt because US inquiries linked former Defence Minister Abdel Halim Abu Ghazala with the attempts to secure the missile technology.

Iraq, according to defence experts in Cairo, became fully involved in the Condor project by the mid-1980s at the height of the Gulf War under an agreement with Egypt known as Badr 2000. The extent of co-operation between the three partners is unclear.

In Egypt, work on the project is understood to be continuing at the Sakr missile factory outside Cairo. Official literature says the complex is engaged in the "manufacture of guided and unguided rockets and their launchers."

Affair seen as undermining the credibility of Italy's entire banking system

By John Wyles in Rome

THE FINANCIAL and political whirlwind which is sweeping away the top two managers at the Banca Nazionale del Lavoro has also served to expose growing nervousness about the damage which the politicians may be inflicting on the future of Italy's public banks and industries.

The Atlanta affair is not only seen as undermining the credibility of Italy's prime bank, but also of the entire Italian banking system and the Bank of Italy's regulation of it.

Since the system is largely publicly owned, it is also massively populated with politically appointed managers. Though their suitability is vetted by the Bank of Italy, the management shortcomings revealed at BNL, for which Mr Nerio Nesi, the bank's Socialist President, and Mr Giacomo Pedde, its Christian Democrat director-general, will take ultimate responsibility, hardly inspires confidence in current arrangements.

With predictable alacrity, the scandal is being quickly employed by politicians, industrialists and commentators as fresh ammunition in the debate about whether only a large dose of privatisation will deliver the managerial equipment to assure the competitive strength needed in the more open European markets of the 1990s.

Until now, however, the possibility of serious change has been nullified by party political rivalries, ideological divisions and a rich seam of mistrust between leading politicians and private sector barons close to Mediobanca, the Milan merchant bank and its eminence grise, Mr Enrico Cuccia.

Mr Nesi, for example, will leave BNL convinced that his downfall owes something to the fact that the present treasury minister and former Fiat main board member, Mr Guido Carli, favours allowing industrial companies to take control of banks. So, also, does Confindustria, the private sector's representative, together with the Agnelli family and, certainly, Mr Cuccia.

Within and between the main political parties there are strongly contrasting views. There are those, such as Mr Nino Andreatta, the former Christian Democrat Finance Minister, and Mr Giorgio La Malfa, secretary of the Republican Party, who believe that the pernicious party control over top appointments in public enterprises helps to explain management failures such as at BNL. "As far as we are concerned, this all strengthens the case for a strong injection of private capital," Mr La Malfa said last night.

Others who derive immense power from present arrangements such as Mr Bettino Craxi and Mr Arnaldo Forlani, leaders of the ruling Socialist and Christian Democrat parties, argue that the system works because the parties are nominating professionals.

Communist Party despises the *lottizzazione* (carving up) of state jobs, but is opposed to any fundamental changes.

In the next 24 hours, the Craxi-Forlani view of the need for suitably qualified managers "close to" a political party will almost certainly triumph in the choice of successors to Messrs Nesi and Pedde.

Alliance navies test supply role

By David White, Defence Correspondent

NATO NAVIES today begin rehearsing the protection of reinforcements and supply convoys to northwestern Europe, a role military planners see gaining greatly in importance if land-based forces are thinned out as a result of the Vienna conventional arms negotiations.

More than 270 ships and 320 aircraft are due to take part in the Sharp Spear exercise over the next two weeks, coinciding with the resumption of the CFE talks in Vienna.

The 10 navies involved include those of France and Spain, which are outside Nato's integrated military command. With its aircraft carrier Principe de Asturias, Spain will be participating for the first time at this level in a northern European exercise.

The country's Nato relations since it joined in 1982 have been complicated by the Gibraltar sovereignty dispute and Madrid's unwillingness to put forces under direct orders from the British colony. Until this exercise, Spanish vessels have never been placed under the tactical command of Nato's Northwood headquarters, headed by a British admiral.

The exercise will be conducted in the seas surrounding the UK and in the North Sea, Baltic and Baltic approaches.

Greece blocks Nato proposals at CFE

By Judy Dempsey in Vienna

STRONG OBJECTIONS by Greece yesterday prevented Nato diplomats from agreeing new proposals due to be presented at the resumption of East-West talks in Vienna. The "stabilising measures" were supposed to follow up proposals tabled by Nato in July at the Conventional Forces in Europe (CFE) negotiations here.

The aim of the talks is to increase stability and lower the possibility of surprise attack by reducing conventional forces to equal ceilings from the Atlantic to the Urals.

Greece is understood to have objected vehemently to Nato's proposed constraints on military activities by both sides. Specifically, the proposal would have limited exercises to a maximum of 40,000 troops and 800 main battle tanks.

Greek diplomats wanted lower levels on the grounds that Turkey could build up a sizeable concentration of forces, not only within the geographical zone designated for any future reductions, but also outside. For geographical and strategic reasons, parts of Turkey are excluded from the reduction zone.

Britain and France, too, were less than enthusiastic about agreeing to close monitoring of production units. However, Western diplomats said this issue was "not insurmountable."

The proposals were to include:

● Notification of movements and concentrations of forces.

● Monitoring of storage, of storage sites, and the removal of equipment from monitored storage

● Constraints on the size of military activities.

Mr Stephen Ledogar, head of the US delegation, said yesterday he did not know when Nato would resolve the issue. "The next opportunity we would have to table these proposals would be next Thursday," he said.

Apart from this West-West issue, Nato has to contend with what Mr Ledogar yesterday described as "the most challenging" of issues. This concerns the continuing Soviet insistence that all defensive aircraft be excluded from the reductions, something to which Nato has objected strenuously.

However, Mr Oleg Grinevsky, head of the Soviet delegation, yesterday appeared to indicate a softer approach when he said "it might be possible to get around (the problem) by definitions."

Mr Ledogar later warned that if the Soviet Union pressed for the exclusion of certain aircraft, "exclusion will have to be applicable to both sides."

Bonn talks please Walesa

By David Marsh in Bonn

MR LECH WALESA, head of Poland's Solidarity movement which now leads the country's Government, yesterday drew up a positive balance after three days of talks in West Germany on garnering economic support for his country's reforms.

He saw Chancellor Helmut Kohl and President Richard von Weizsäcker yesterday in Bonn, and said he had achieved more than hoped.

The West German Government and industry is tying the question of financial support for Poland to the establishment of an economic reform programme in Warsaw. But Mr Kohl appears to recognise the importance of acting quickly to symbolise Western support for the first non-Communist Government in Poland for more than four decades.

Mr Walesa, visiting at the invitation of the German Trade Union Federation, has presented industrialists and bankers here with a list of 16 investment projects near Gdansk which require foreign support. John Burton adds from Stockholm: Sweden will provide Poland with SKr300m (£29m) in foreign aid over the next three years, with most of the funds earmarked for environmental protection and business training, Mr Ingvar Carlsson, the Prime Minister, announced.

Mr Walesa (right) in Bonn yesterday with President von Weizsäcker

Loans for Polish private sector

By Stephen Fidler, Euromarkets Correspondent

THE International Finance Corporation, the World Bank affiliate created to encourage the growth of the private sector in developing countries, is moving ahead with loans for the Polish private sector.

The IFC's first credit for Poland was announced last November: a DM30m ($9.75m) loan to the Hortex Agricultural Co-operative to help expand its production of deep frozen food for export.

Poland became in late 1987 the third East bloc country after Hungary and Yugoslavia to join the IFC and the Government has enlisted IFC help in drawing up its new foreign investment laws.

In April, President George Bush said that one way in which the US would support Poland would be through "viable loans to the private sector by the International Finance Corporation." Loans from the World Bank itself and the International Monetary Fund are still under consideration.

The new proposals include:

● The refurbishment of Warsaw's Hotel Bristol at a cost of around $35m. The hotel is being jointly developed by Trust House Forte, the UK hotels and leisure group which is taking a 55 per cent stake, and Orbis, the Polish tourist organisation taking the remaining 45 per cent. An agreement was signed in London in June. The IFC is providing $8.7m in finance for the project.

● A float glass project with two Japanese companies, Asahi Glass, Japan's largest glass-maker, and Toyo Menka, the Japanese trading company. IFC officials have said this project, to be based in Sandomierz, would be a $120m investment, of which the IFC's share would be about $43m.

A further Warsaw hotel project, to be developed with the Kempinski Group, is also being considered.

Farmers in big Turkish protest

By Jim Bodgener in Ankara

SOME 10,000 Turkish farmers took to the streets of the north-western city of Manisa in their tractors yesterday in the strongest agricultural demonstration against government policies in 15 years.

The Union of Turkish Chambers of Agriculture, which organised the demonstration, claimed they had been neglected by the Government in favour of its export and industrialisation drive.

More than 1,000 tractors participated, supported by opposition politicians.

The union said that the cost of agricultural inputs had increased 23 times since the start of the decade, compared with a fourteenfold increase in off-farm prices.

Drought earlier this year has compounded the farmers' difficulties – around 5m tonnes of wheat will have to be imported, for example.

Agricultural output is projected to shrink by 10 per cent this year, according to official forecasts based on the first six months of the year.

The overall growth picture from the state statistics institute is also gloomy: the economy is expected to grow only by 0.2 per cent, compared with 3.4 per cent last year, itself a rapid contraction from high rates in 1987 and 1986.

Honecker facing 'growing Party pressure' to step down

By Leslie Colitt in East Berlin

MR ERICH HONECKER, East Germany's ailing 77-year-old leader, faced growing pressure from within his Socialist Unity (Communist) Party to step down in favour of a younger man who would be able to begin a dialogue with a disillusioned population.

An East German Foreign Ministry official said rank-and-file Party members were no longer able to defend the leadership's stubborn refusal to acknowledge massive popular discontent. The exodus of more than 60,000 East Germans up to the end of August had brought the leadership crisis to a head, he said.

The official's disclosure, albeit in private conversation, was rare in the normally disciplined East German Party. It apparently reflected the extremely low morale of Party members, some of whom have quit in protest against the leadership's repeated avowal that all was well in the land.

He noted that pressures to oust Mr Honecker were likely to build during the Party elections which begin later this month and last until next spring. The changeover at the top would have to take place before the next Party Congress in May 1990 when Mr Honecker had planned to renew his rule for another five years.

His recent gall bladder operation could turn out to be a "political illness" allowing him to be eased out peacefully, the official observed. Mr Honecker was resisting such a process by releasing a flood of articles in the Party newspaper Neues Deutschland to assure everyone that he was in full control.

The Soviet Union, pledged to non-interference for its part, was not urging Mr Honecker to retire.

"But the example set by Gorbachev exerts a powerful influence," the East German said, citing his countrymen who thronged the Soviet pavilion at the Leipzig Trade Fair this week in order to get a pamphlet on the Soviet reforms.

While a growing consensus existed within the Party that Mr Honecker must go, the official said, the question of his successor was unresolved.

His longtime heir-apparent, Mr Egon Krenz, 52, was seriously incapacitated by diabetes and had been unable to fill in for Mr Honecker.

The other front-runner, Mr Günter Schabowski, the 60-year-old Berlin Party chief, angered rank-and-file Party members when he went to Peking last July to accept the thanks of the Chinese leadership for Mr Honecker's "solidarity" with the Chinese Party in brutally suppressing political reforms.

An unprecedented number of votes against the Party's candidates in last May's municipal elections, however, was transformed into a 98.85 per cent victory for Mr Honecker's hardline leadership.

The Foreign Ministry official suggested that it was unlikely that Mr Honecker's successor would emerge from within the Politburo. This gave Mr Hans Modrow, the popular 61-year-old Party leader of Dresden District, and a member of the Central Committee, a chance to become the new leader. Mr Modrow favours gradual reforms and a dialogue with the population.

Whoever was chosen to replace Mr Honecker would be a "transitional figure" he stressed, not a radical reformer who might "destabilise" East Germany's delicate situation.

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Toyota to invest $215m expanding Asean network

By Ian Rodger in Tokyo

TOYOTA Motor, Japan's largest car maker, is investing $215m (£134m) to develop components production at its factories in four south-east Asian countries, and set up component exchanges among them.

Toyota said the plan was aimed at strengthening the international competitiveness of these factories in line with a memorandum of understanding adopted by by economic ministers of the Association of South East Asian Nations (Asean) last October.

The memorandum provided 50 per cent tariff rednctions and local content qualifications for components imported from one Asean country into another.

Under the Toyota plan, diesel engine production at one of the company's Thailand factories will be stepped up so that it can supply a Toyota assembly plant in Malaysia as well as the one in Thailand.

Petrol engine output in Indonesia will be increased so that the factory will supply assembly plants in Malaysia and the Philippines as well as the one in Indonesia.

Similar arrangements are planned for co-ordinating production of other high value components, such as steering gears, transmissions, electrical equipment and body stampings among Toyota plants in the four Asean countries.

The total trade volume in Toyota components among Asean nations is expected to exceed $100m annually wifhin the next three years compared with a current $5m, Toyota said, and there would be considerable export to Japan as well.

"The current project is aimed at producing internationally competitive parts, in terms of quality and cost, within the region through concentrated mass production in each nation," the company said.

"The project will also help promote the sound growth of the Asean automobile industry, foster production bases in the region as future bases for export to other Asean and non-Asean countries, including Japan, thereby contributing to those countries' exports, and help reduce the growing exports to the region from Japan," a statement said.

Japanese export of vehicles to south-east Asia rose 42.2 per cent to $3.3bn in the fiscal year to March 1989.

Toyota is the vehicle market leader in the four countries, selling 92,000 units last year out of a total market of 440,000 units. The company assembles vehicles at two plants in Thailand and one in each of Indonesia, Malaysia and the Philippines.

End to ship cartel likely

JAPAN'S Fair Trading Commission, prompted by the recovery of the shiphuilding industry, is likely to order an end to a cartel of 24 shipbuilders established by the government when the industry was in decline three years ago.

Many of the builders now have full order books, and the FTC is likely to announce a decision on the cartel's dismantling before the end of the month, although shipbuilding companies have requested that the cartel remain in place until the end of the year.

While the cartel limited competition between builders, the government also ordered severe reductions in construction capacity.

Eighteen companies were forced to retire from the industry, the labour force was cut by 45 per cent, and building capability was reduced by 24 per cent.

The FTC says that a final decision has yet to be made on when the cartel is to end, but extra pressure has been put on Japan by the Shipbuilders' Council of America, which has said it wants a 2 per cent share of the international market.

Nissan to share in Motorola phone deal

By Robert Thomson in Tokyo

NISSAN and Toyota, the two leading Japanese car makers, are to equip their luxury cars exported to the US to take phones made by Motorola, the US telecommunications manufacturer involved in a long-running cellular phone row with Japan earlier this year.

Both car makers will install wiring compatible with Motorola phones, but will leave it to US customers to decide whether they need a car phone, which will be an optional extra in the luxury Nissan Infiniti and Toyota Lexus models.

Depending on sales, Nissan and Toyota will equip about 12,000 cars in the coming year to take the phones, though a Nissan spokesman said the decision to use Motorola was not just a reaction to the trade dispute. "We started discussing the choice before this problem came to the fore," he said.

Motorola had demanded radio freqnencies in the Tokyo area to enahle the use of its cellular phones, although Japan's Ministry of Telecommunications argued that existing frequencies were already taken, and that there was no room for the US company. After US Government threats of punitive measures, frequencies were found.

● Toyota and Nippondenso, the Japanese car maker's automotive components associate company, have sent a procurement team to the US to visit nine semiconductor manufacturers to explore the potential for boosting US purchases.

Motorola is among the companies to be visited, which include Texas Instruments, National Semiconductor, Intel, Harris, Advanced Micro Devices, International Rectifier, Signetics and Sprague Electric.

Toyota issued a communiqué to the nine US companies in July, outlining the working relationship it demands from its suppliers from research and development to production.

It spelled out its quality requirements, and called for "strong support by top management and a long-term relationship of trust" with potential US suppliers.

Finland re-assesses Soviet trade links

Experts foresee changes in pattern of pacts and deals, Enrique Tessieri reports

THE PLUNGE in Finnish-Soviet trade, due to low international spot oil market prices and perestroika, is obliging Finland to reassess its trade links with its giant neighbour in the coming decade.

Trade levels have fallen in past years by one third, or to about 14 per cent of all Finnish trade, with neither of the partners benefiting from the present situation.

Some may claim that the drop in Finnish-Soviet trade has not severely affected Finland because trade has increased with Western Europe. Bnt of the most dramatic examples of the fall-off was Wärtsilä's marine division, which turned to the Government for help last month.

Wärtsilä, the Finnish shipbuilding and engineering group, builds two-thirds of the world's ice-hreakers, but no new orders have come from the Soviet Unicn in the past three years.

While some Finns have raised the question of changing the current clearing-house scheme governing trade between the two countries, it may well turn ont that Finnish industry will lose a substantial amount of business if and when Finnish-Soviet trade switches over from a semi-barter to a hard-currency basis.

Mr Jermu Laine, Minister of Foreign Trade from 1983 to 1987, and director-general of the National Board of Customs (NBC), snggested this week that the next five-year Finnish-Soviet bilateral trade agreement (1991-95) sbould be tbe last.

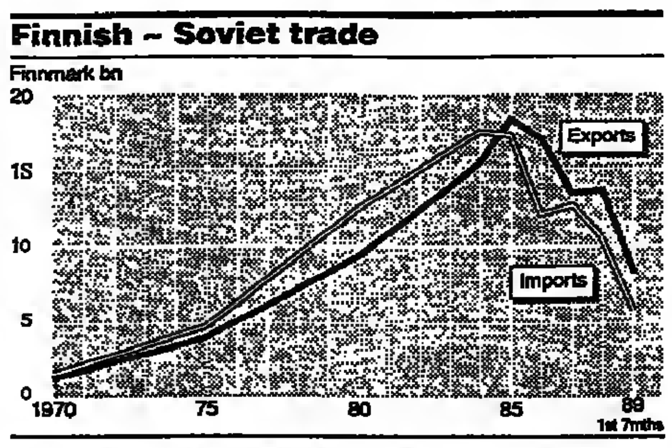
The NBC chief felt that one of the greatest threats to the clearing-house scheme would come if the Soviet Union became a member of the General Agreement on Tariffs and Trade, which "would not permit such bilateral trade arrangements in the first place.

"Sticking naively to our bilateral trade (with the Soviet Union) doesn't help us at all. At the best, it only benefits our competitors and enhances their trade position in tbe Soviet market," Mr Laine said.

He does not suggest any immediate radical changes in Finnish-Soviet trade, but feels that this will happen gradually.

In the past, Finnisb-Soviet trade has been sustained at high levels because of high oil prices; it is determined hy the capacity at which Finland can absorb Soviet energy supplies.

Some four-fifths of the total consumption of about 1m tonnes last year came from the Soviet Union alone, with the remainder imported from the North Sea and the Middle East.



In order to counter falling trade levels in the next decade, both the state-held oil company Neste and the Soviet Soyuzgas-export tentatively agreed last June to increase Soviet gas imports to Finland to around 4bn cu metres by the mid-1990s and even up to 5bn cu metres by the end of next decade.

Gas consumption in Finland in 1988 was 1.6bn cubic metres and is expected to reach 2bn cubic metres by the end of 1989.

Because international oil prices in the past were stable, it was easy to sustain high levels of trade; the higher the price of oil the better for Finnish-Soviet trade.

Trade with the Soviet Union is controlled by government through a series of renewable bilateral agreements, lasting five years. These trade agreements are commitments to ensure that Finnish-Soviet trade is close to balance at the end of each term.

The next five-year trade agreement is expected to be signed this October, when Mr Mikhail Gorbachev, the Soviet President, is due in Finland for a first official visit.

As opposed to the last two five-year trade agreements, the next one is expected to contain more realistic expectations, and take the fluctuations of international oil prices more into account.

But even if Finnisb-Soviet bilateral trade may be overhauled in the next decade, Mr Laine and Neste, as well as other industrial experts, believe that geographical reasons make the Soviet Union a likely place for Finland to continue purchasing its oil.

"Our geographic location makes the Soviet Union a natural supplier of energy," Mr Laine explained. "We know the market, have contacts and many years' experience in dealing with the Soviets".

Even if Osuuskunta Tuontiöljy, a company owned by the Finnish forest industry, is seeking permission from the Government to import heavy fuel oil and thus break Neste's and Suomen Petrooli's monopoly over oil imports, Neste has expressed publicly that it would have no complaints over other companies importing oil.

Another aspect that is forcing Finland to reassess its oil trade with the Soviet Union is the sulphur dioxide content of Soviet oil. According to a new law that will be in force in Finland by 1991, sulphur dioxide content in imported oil cannot exceed 0.2 per cent (weight).

While the Foreign Ministry believes tbat "a solution can be found around this problem", Neste is unable to say with any certainty if low sulphur nil can be found in the Soviet Union.

Hills to raise TV rules in Europe talks

By Peter Montagnon, World Trade Editor

US opposition to the European Community's proposed local content rules for television broadcasting has emerged as a leading agenda item for next week's visit to Europe by Mrs Carla Hills, US Trade Representative.

Billed as an effort to underline the US determination to complete the Uruguay Round of multilateral trade negotiations despite the unilateral actions it has taken under last year's Trade Act, her visit has become increasingly encumbered by a number of specific bilateral trade issues.

Of these, broadcasting is now seen as among the most urgent, with the potential to spark a serious transatlantic row.

Ahead of the visit, the US has also signalled concern about Europe's plan to ban bovine somatropin, a dairy hormone which substantially increases the milk yield in cows, and local content rules on semiconductors which it argues are forcing its companies to invest and manufacture in the Community.

Evidence of the strength of feeling on the broadcasting issue comes, however, from Mrs Hills' schedule. During her one-day visit to London next Thursday, she will make an unusual detour for a trade minister to call on Mr Douglas Hurd, UK Home Secretary, who is responsible for British broadcasting policy.

She will also raise the issue in her visits to Bonn, Paris and Brussels, leaving Geneva as the one destination likely to be dominated by the Uruguay Round itself.

The source of ber concern is the current draft EC broadcasting directive which is controversial even within the Community and bas yet to be ratified by member-states. It seeks to impose a majority EC content on European television programmes as part of the single market planned for 1992.

The proposal has aroused the ire of the powerful media lobby in Washington which fears its industry would be excluded from lucrative opportunities to casb in on the explosion in European TV programming now getting under way.

According to some US officials, Mr Jack Valenti, wbo beads the Motion Picture Association of America, has persuaded President George Bush to take a personal interest in the issue.

Mrs Hills is expected to argue thet, if passed, the directive would contravene Gatt which does not yet deal with service industries but whose Article IV limits conditions nnder which quotas may be applied to films.

She will also tell ber European counterparts tbat tbe draft broadcasting directive has made harder to convince Congress that Europe will not become a trade fortress.

Such arguments have so far cut little ice in Europe wbere It is noted that broadcasting was exclnded from the US/Canada free trade agreement of 1988 out of deference to Canada's anxiety to preserve its national culture.

Protest on US chewing tobacco

MRS Carla Hills, US Trade Representative, is expected to spring to the defence of the growing minority of Britons wbo cbew tobacco, wben she visits London next week, Peter Montagnon writes.

She is to protest about a proposal by the Health Department to ban a cbewing tobacco, on the grounds that it is linked to oral cancer.

The issue raises tbe question of wbere bealtb policy ends and trade policy begins. The US argues the ban is a discriminatory trade action against a US company because Britain is not also banning other forms of oral tobacco sucb as snuff.

The UK bases its proposal on advice from an independent committee. The Department of Health says its proposed ban was based solely on bealth considerations.

New York mayoral race focuses on issues that chill the imagination

James Buchan reports on corrosive anxieties which could unite the city's white majority and bring Ed Koch back from political death

IN New York City, where a wet summer is giving way to a cool autumn, a dim political drama is playing itself out. The campaign for mayor of New York, which many people thought was going to shine a light on all the bad things happening in the city, the drugs, crime, corruption, racial violence, the child abuse and overrun hospitals and chaotic schools and collapsing sidewalks, is fading away in cynicism and fear.

As the six candidates do their last appearances and television commercials before the primaries on September 12, the race is turning out in a way that would have been unthinkable three months ago.

Mr Edward Koch, the mayor since 1977 and the man blamed more than any other for the tackiness and racial tension of New York, has come back from the political dead. As of August 29, he was just one point in the polls behind Mr David Dinkins, his main challenger for the Democratic nomination.

Money is pouring into the Koch camp from Wall Street, the real estate industry and small business, which have all more or less prospered in the past 12 years. His campaign contributions were running at the rate of $40,000 a day in August, which was more than for all the other Democratic candidates put together.

Last Sunday, the New York Times endorsed the Mayor on the grounds that he is an able manager, however insensitive.

Koch: money is pouring into his camp from Wall St, with contributions put at $40,000 a day

But stranger things are happening on the Republican side. When he declared his candidacy in May, Mr Rudolph Giuliani, a former public prosecutor, was hailed even by liberals as the city's saviour.

In his time as US Attorney, Mr Giuliani, 45, brought to task corrupt officials in the Democratic borough organisations, humiliated mobsters and scared the wits out of the Wall Street securities industry. People openly talked of Mr Giuliani as a new Fiorello La Guardia, another Italian-American and liberal Republican, who smashed the Tammany Hall Democratic machine in 1934 and was so beloved they rang five-bell alarms at all the city firehouses when he died in 1947.

Mr Jimmy Breslin, a notoriously hard-bitten columnist for Newsday, wrote last January: "Giuliani has won the 1989 New York City mayoralty. He does not beat Koch because Koch does not run."

But Mr Giuliani is flailing, his public appearances a succession of missed opportunities, his campaign in difficulties. He is making heavy weather even of his Republican challenger, Mr Ronald Lauder, 45, a man so shy and rich he seems to find it a torment to campaign in person.

Mr Giuliani will surely win the Republican nomination next Tuesday but he will need luck to mount a challenge to a Koch or Dinkins in a strongly Democrat city.

And the mood of the city has changed. In the early summer, there was a palpable feeling of outrage. The rape of a young white woman in Central Park by a group of black men on April 19 seemed to galvanise white opinion and unnerved many blacks.

New York has always been a terrible place for crime, but there is a paranoid sense that the city is fragmenting into warring neighbourhoods, like Beirut at the turn of the 1970s.

The murder of a black boy who ventured into the close-knit Sicilian-American district of Bensonhurst in Brooklyn on August 23 sent shivers through the city because it was not unexpected.

In Harlem and the boroughs, the crack epidemic seems immeasurably more virulent and destructive than the traffic

'New York has always been a terrible place for crime but there is a paranoid sense the city is fragmenting into warring neighbourhoods like Beirut'

in heroin in the early 1970s. There are as many as 30,000 people living on city streets or in the subways. Many are sick with drug addiction, Aids or schizophrenia.

Manhattan itself is becoming what a young woman on Park Avenue South this week memorably called a "rain-forest society". The middle classes live out their lives at the tops of high apartment buildings while the dark streets below scuttle with dealers and crack-heads.

The fabric of the city is falling to bits. On August 13, a steam pipe burst under Gramercy Park in Manhattan, killed three people and covered half the buildings in the lovely square with asbestos-tainted mud.

Last Sunday, another pipe burst at Eighth Avenue and 51st Street and did much the same thing except it didn't kill anybody. The roads, tunnels and interchanges built by Robert Moses in the 1940s and 1950s are split with weeds and sumac trees turning red in the autumn sun. After a decade of economic growth, high revenues and high taxes, the city's public places look a fright.

But as the campaign has got under way, this outrage has turned to weariness. This is because the city's problems chill the imagination but it is also because of Mr Koch. No American politician is as skilful at shifting the debate from things that he is answerable for, like corruption in the Parking Violations Bureau or the shortage of police, to subjects on which he can simply shout the odds, such as the death penalty (which he favours).

Mr Koch, 64, has what is known on Broadway and in the old Jewish hotels of the Catskills as a *shtick*: an act which may not amount to much but is still recognisably an act. La Guardia had a *shtick*: he conducted the combined Police and Sanitation Department bands at their annual Carnegie Hall concerts. Mr Dinkins and Mr Giuliani do not have a *shtick* and this was clear recently at the Lincoln Square synagogue, an ultra-liberal congregation on Manhattan's Upper West Side. Liberal Jews make up a good portion of registered Democrats which is why all the candidates gathered punctually at the synagogue on the evening of August 29.

Mr Dinkins, 62, is the only black candidate. He is dignified on the stump, has unimpeachable liberal credentials and has laboured in the vineyards of Harlem and city politics all his adult life.

But he is a dull speaker and is said to be an uninspiring leader and administrator. Mr Giuliani is, without doubt, a very good leader and is probably honest and brave as well. But he seems unprepared for the hurly-burly of city politics. With his cadaverous face, his lisp and the red velvet skullcap he wore for the evening, he looked more than usually Jesuitical: a man struggling between self-denial, professional zeal and beady-eyed ambition. He was also uncomfortable. Dozens of Aids activists barracked him noisily until the assistant deputy rabbi came to his aid.

Then it was Mr Koch's turn. When the Aids people screamed at him, he screamed back but much louder until, grumbling, they filed out of the synagogue. Rumpled, overweight, shrill, a little effeminate, Mr Koch won over a bristling and difficult audience. As a woman in the congregation said: "Giuliani's a good man but he hasn't got what it takes to campaign in New York City."

Giuliani: struggling between self-denial, professional zeal and beady-eyed ambition

Mr Koch has another thing going for him and this is so bad many white New Yorkers don't like to mention it. It is racism.

Last year, Mr Koch barged into the New York State Democratic primary for the presidential election, saying that New Yorkers would be crazy to vote for the Rev Jesse Jackson and blacks are still mad at the mayor.

This was clear on August 20 in Bedford-Stuyvesant, a black neighbourhood in Brooklyn. This is the place where Mr Spike Lee, a young black film-maker, shot his film of racial violence, Do the Right Thing, except it is hard to see where in Bed-Stuy he found an Italian-owned pizzeria or a Korean grocery.

There are several blocks of burned-out buildings. There is also the Glover Memorial Baptist Church, where they held a funeral for Yusef Hawkins, the 16-year-old who went to Bensonhurst looking for a used car – some say a girl – and was shot dead.

All the politicians were at the funeral. Mr Koch, who criticised the blacks for holding a protest march into Bensonhurst after the murder, was loudly jeered, though there were boos to spare for Mr Giuliani and the state governor, Mr Mario Cuomo.

The funeral orations were relatively restrained. But what the television showed were signs of a collapse in understanding between the races: stiff, military figures in black suits and red bow-ties barring entry to the church.

It is possible that blacks will turn out in force for Mr Dinkins or that he will succeed in appealing across race lines. It is possible, too, that Mr Giuliani and will get a grip on his campaign. It is possible, as the New York Times pleaded in its endorsement last Sunday, that Mr Koch will learn "to reach out" to blacks.

It is just as possible that corrosive racial anxieties will unite New York City's white majority and send an unchanged Mr Koch back to City Hall.

Governments agree $2bn bridging loan for Mexico

By Stephen Fidler in London and Richard Johns in Mexico City

LEADING industrial countries are preparing a $2bn bridging loan for Mexico to provide interim finance until funds are disbursed by the International Monetary Fund and World Bank.

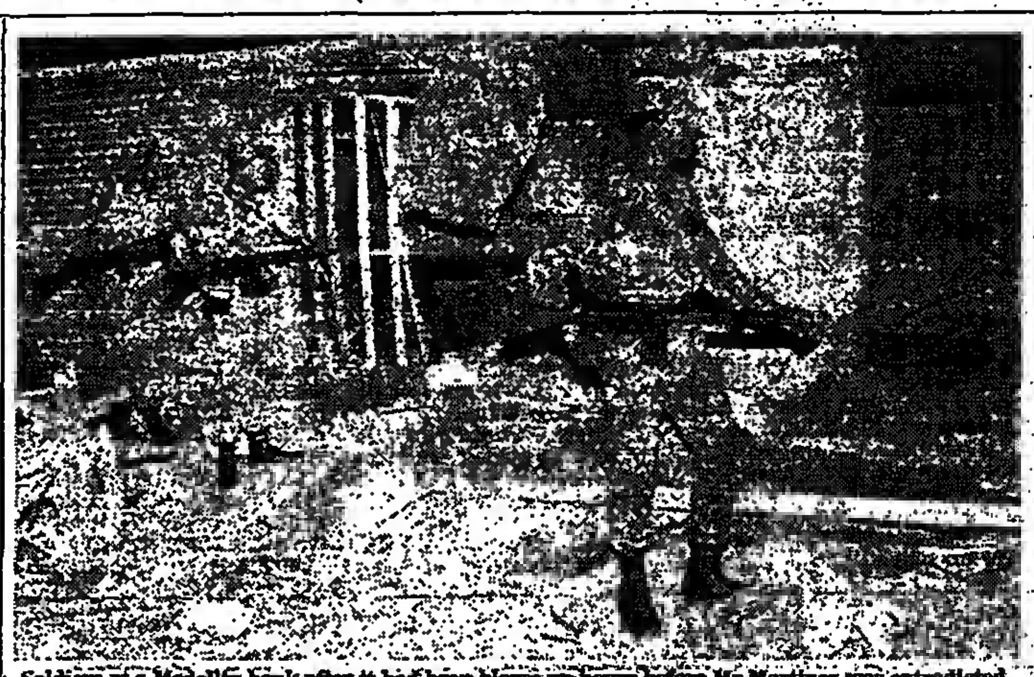
The bridging loan will be provided in two parts – $1bn from the US and a further $1bn from other industrialised countries through the Bank for International Settlements. The US Federal Reserve is expected to provide $250m of the BIS finance.

The loan had been expected to be announced formally when the final debt accord – the so-called term sheet – was agreed between Mexico and its 15-bank advisory committee. That agreement – which will incorporate debt reduction principles under the debt initiative launched in March by the US Treasury Secretary, Mr Nicholas Brady – is expected this month.

When an agreement in principle over the commercial bank deal was announced in July, the US Treasury said then that $2bn of standby finance would be available to Mexico.

Mr Jose Luis Tellez Kuezler, director-general of planning in the Ministry of Finance, said this week that a $1.5bn bridging loan from creditor governments would be available this weekend. Western officials said that of the $2bn, only $1.5bn would be available for immediate balance of payments support for the country.

Mr Tellez described it as a contingency facility which could be utilised until agreement with all Mexico's 500 creditor banks is concluded. That will not occur much before the end of the year and Mr Tellez said that, in the mean time, Mexico might require balance of payments support.



Soldiers at a Medellin bank after it had been blown up hours before Mr Martinez was extradicted

Rebel truckers pose challenge to US industry

By Tim Coone in Panama City

A GROUP of renegade US truckers based in Panama have begun a legal challenge which could cost US state governments and the US insurance business billions of dollars in revenue and income.

Panama – for the past 18 months a target of US economic sanctions – has gone on the counter-attack.

General Manuel Antonio Noriega, the head of the Panamanian armed forces(PDF) and the man the US wants to see removed, has personally approved the challenge, which is called the "Economic Battle Plan."

The counter-attack consists of exercising Panamanian trucking company rights that are claimed to exist under Inter-American Highway treaties, signed in 1936 and 1946, and by offshore company rights conferred under the 1977 Panama Canal treaty.

In effect, a small but growing number of US truckers have discovered that reciprocity clauses in these treaties allow them to cut operating costs drastically by setting up shop in Panama.

Their insurance premiums are cut in half, and they can avoid payment of interstate taxes when hauling freight in the US. US road haulage costs could be hit hard.

The truckers and General Noriega have thus found a common cause in fighting the US government – the small guy is striking back.

To give an idea of the sums involved, the state of California reportedly receives 5 per cent of its tax revenue from taxes on truck freight hauled across its state borders. According to Mr Donald Lamb, one of the Arizona businessmen behind the challenge, the 20m commercial trucks in the US pay an average of between $7,000 and $10,000 a year in interstate taxes.

Insurance premiums for a basic liability policy are also being slashed from an average $6,000 to just over $3,000 by insuring through Panama.

"Wa are going to make Panama do for the US trucking industry what it did for the shipping industry," said Mr Lamb. Some 6m tons of US shipping are presently flying the Panamanian flag.

Mr Lamb's company, Serpico Insurance Trust Association, is a fraternal benefit group for self-insurance of truck owners and the US arm of the Panamanian-based ABC (Asociacion Benefica de Chaufferes) established in 1924. This is the body which is claiming the reciprocal treaty rights in the US. Serpico also advises truck owners on how to establish Panamanian-based companies.

Mr Jackson Green is one of an estimated 200 US truck owners already using Panamanian licence plates and hauling cargo across the mainland US without paying US state taxes.

If challenged at a state border he produces a small legal document from his pocket, drawn up by lawyers of ABC, which threatens the arrest of any US government official who attempts to hinder the free passage of the truck.

According to a newsletter Serpico puts out to its members, "Green crosses as many as seven scales a day and does not have to pay for the privilege of crossing a border."

The Interstate Commerce Commission(ICC) in the United States is informally advising state authorities that in its opinion they have the right to impose taxes on the Panamanian registered trucks.

Mr John Chaney, the chief legal interpretations officer of the ICC, sent a letter on July 13 to the Georgia state authorities, however, which said "the above informal opinion is not binding on the Commission in the event of formal proceedings."

When challenged by Serpico to emit a formal opinion, Mr Chaney recommended that the issue be referred to the US State Department.

The disagreement is therefore becoming ever more of a political issne rather than a straightforward legal dispute.

In the meantime the ICC is attacking Serpico's insurance business, which presently handles policies for some 10,000 US truck owners according to Mr Lamb.

The ICC claims Serpico is selling insurance illegally in the US and has revoked its licence.

Mr Lamb faces a Grand Jury investigation on tha charges, but he is fighting back. He says a Florida court has already dismissed one case against Serpico, and he is now planning to sue the ICC for damages. It is possible that the entire affair may eventually arrive at the US Supreme Court.

Meanwhile, more truckers are being encouraged to take out Panamanian licence plates to avoid interstate taxes.

US State Department lawyers are now faced with the prospect of a growing number of the 2mn trucks in the US changing to Panamanian licence plates.

All bear the slogan: "Panama 2000 – Total Sovereignty." General Noriega is proving his reputation as a master of psychological warfare.

Democrat senators introduce bill to boost aid to Poland

A GROUP of Democratic senators has introduced a bill to postpone Poland's US debt payments and provide $900m for private business in Poland to boost its economy and help the new non-communist Solidarity government succeed, Reuter reports from Washington.

"It is extremely important for the US to act and act swiftly," Senator Paul Simon, an Illinois Democrat, told the Senate on Wednesday. "This bill will give the new government in Poland a fighting chance to succeed."

He said it would authorise President George Bush to postpone all of Poland's interest payments on its $2.8bn debt to the US for three years and halve its interest payments for the next two years.

The bill would also provide $300m a year for the next three years for loans to establish businesses in Poland, creating new jobs and commerce, Mr Simon said.

It would also provide $25m for Poland to improve its telephone and business communications system to spur business growth and foreign investment.

Co-sponsors of the bill include Assistant Senate Democratic Leader Alan Cranston of California, and Senator Claiborne Pell, a Rhode Island Democrat and chairman of the Senate Foreign Relations Committee.

Mr Simon said the ultimate decision on rescheduling Poland's US debt would be left to President Bush.

He said Mr Bush could use that authority as leverage on Poland to make economic reforms and to encourage other lending nations also to reschedule Poland's debt to make that country eligible for International Monetary Fund loans.

An aide to Mr Simon said the $900m loan fund would operate much as international development banks do, providing loans to Polish, American or Polish-American business ventures in Poland to create jobs and commerce.

Mr Bush offered an aid package to Poland during his visit there including $100m to aid economic growth, efforts to win international agreement on rescheduling Poland's debt, and measures to encourage US business investment in Poland.

Administration officials have said they plan to send Congress a request shortly for legislation to provide the aid to Poland.

Menem pardon for army rebels

By Gary Mead in Buenos Aires

ARGENTINA'S Vice-President, Mr Eduardo Duhalde, has confirmed that President Carlos Menem will shortly announce a pardon for army rebels who staged three brief insurrections between April 1987 and December 1988, under the previous government.

Mr Duhalde, describing the pardon as a "first stage", said that President Menem will confirm the date for the pardon following his return from the Non-Aligned summit in Belgrade.

Under Argentina's Constitution a presidential pardon – unlike an amnesty – does not require congressional approval.

It is therefore in the hands of President Menem to decide who shall benefit from a pardon.

Long before Mr Menem was elected President on May 14 this year, sources close to the army dissidents suggested that he had promised an amnesty or pardon for both themselves and senior officers implicated in the 1970s "dirty war".

Since taking office on July 8, Mr Menem has increased speculation by simultaneously giving strong hints that a general military pardon is imminent but refusing to specify a date.

The issue of a pardon for army rebels and officers accused of human rights abuses in the "dirty war", when some 9,000 civilians disappeared, is rapidly becoming a political football in Argentina.

This evening, a protest march against any such pardon is due to be held in the centre of Buenos Aires.

Politicians from the opposition Radical party, and Mr Menem's own Peronist party, will use the occasion to question President Menem's decision to, as they see it, cave into military blackmail.

At the same time, government officials suggest that President Menem's pardon simply continues a process started under former President Raul Alfonsin.

Mr Alfonsin supervised the passing of two laws which drastically curtailed legal action against "dirty war" officers alleged to have tortured and killed detainees.

One of these laws, the so-called "punto final", aimed at limiting trials to a maximum of 30 senior officers, was passed before the first military rebellion.

According to Mr German Lopez, a former Defence Minister in the Alfonsin administration , the "punto final" was part of an agreement reached between Mr Alfonsin and the armed forces in December, 1983.

Sarney fights to avoid an undignified exit

President's priorities will now centre on avoiding hyper-inflation, Ivo Dawnay reports

THE Government comes to an end, but Brazil continues. With this heroic platitude, Mr Ronaldo Costa Couto, chief of President José Sarney's civil staff, this week announced new cuts in fiscal incentives – the last of the latest package of measures to balance the 1990 budget.

The minister may bave meant that, despite November's elections, decisions relating to next year's budget must continue to be taken. But, for all intents and purposes, tha Sarney Government has already come to an end – a full seven months before a new administration is inaugurated in Marcb.

Mr Mailson da Nobrega, the Finance Miniater, has made quite clear tbat despite continuing 30 per cent a month inflation no important initiatives are planned. (Even a hint of them, inevitably suggesting yet another price freeze, would panic the financial markets).

From now on, he will confine bimself to fire-figbting and pruning costs wherever he can. This needs to be remembered in New York today as Brazilian debt negotiators return to crucial talks with tbeir commercial creditors. For if the banks demand furtber wide-ranging economic reforms in return for concessions on $2.3bn in Brazilian debt interest payments due this month, they are likely to be disappointed.

Concessions and compromises may be agreed, bnt for Mr Sarney the priority now is to hang on to the liferaft of his $6.5bn foreign exchange reserves and hope that he can avoid hyper inflation and an undignified early exit from office in the style of Mr Raul Alfonsin, Argentina's President until early this year.

In a television interview as long ago as June, the President was already reviewing the record of his lame-duck administration and blaming Congress and the new Constitution for its lack of achievements.

"The President no longer has any powar whatever," he lamented.

Last month, Mr John Reed, the Citihank president, reported privately to Rio businessmen that his interview with the head of state was long on discussion of the poet-president's forthcoming antobiograpby and distinctly short on plans for the immediate crisis.

In part, this is just the Sarney style. A shy, courteous, unworldly figure, the president has spent his term of office running Brazil as if he were the Panama-hatted landlord of a distinctly querulous sugar plantation.

Under tbe slogan of *Tudo Pelo Social* – roughly translated as Everything for Society – he bas presided over the

Sarney: end of era

severest decline in social services from education to health in modern Brazilian history.

His greatest single political success was to win a fifth year on his term of office from the Constitutent Assembly – half of which he now proposes, in effect, to write-off. Yet part of the under-achievement of Brazil's first civilian government for 21 years is also owed to the personality-centred Latin American administrative tradition, whicb frequently eschews the initiation of new policies for mere day-to-day resources management.

In four-and-a-half years, the only important policy change announced by the Brazilian Government has been the official burying of its "import-substitution" industrial strategy for "competitiva integration" with the world economy. Yet precious little has come of it.

Cabinet ministers meet, perhaps, three times a year to discuss programmes, but almost weekly at ceremonial rituals such as swearing-in of officials or airport farewells to see the president on his way for an overseas visit.

It is this charming, if lethargically Victorian style of government that looks set to come to an end with the Sarney regime. Or, at least, should do. With all tha burning macro-economic issues from inflation to debt now in the President's out-tray, most pundits believe his successor will be forced by circumstances to follow President Carlos Menem of Argentina and take immediate action to avert hyper-inflation using much the same orthodox policies.

As retail sales are again booming alongsida low levels of stocks levels and snpply shortages, demand-led inflation is now threatening to join forces with price increases driven up by the public-sector deficit.

But corporate Brazil remains understandably unwilling to switch resources from the overnight markets – currently paying 4 per cent a month real interest – into mnch needed new investment.

Despite months of political campaigning, however, none of the 20-odd presidential candidates hava yet succeeded in effectively communicating the immediate urgency of the country's plight.

One reason for this might be that to offer concrete proposals, as opposed to woolly rhetoric and good intentions, would mean advocating and specifying such electorately damaging policies as substantial tax rises and large-scale pnblic sector redundancies.

It may also be that in the style of Mr Menem, the candidates have dramatic austerity plans, in conflict with the costly commitmants made in their pnblic speeches, hidden up their sleeves.

Some economists, like Mr Daniel Dantas, argue that any new Brazilian President will need a full-blown crisis to take on consarvative interest groups.

"The chances of taking the right measures are higher the worse the sitnation is," he argues. To outsiders more familiar with policy as opposed to personality politics, the candidates would inspire greater confidence if they dealt more specifically with the short-term economic crisis.

Or, even, merely indicated that they were aware of it.

Garcia urges EC to join drugs fight

MR Alan Garcia, Peru's President, yesterday criticised America's newly announced anti-drug measures as too little too late and urged the European Community to join the fight, Renter reports from Rome.

Mr Garcia, on a private visit to Rome, said the $7.8bn anti-drugs package launched by President George Bush on Tuesday was important "but should be wider.

"The drugs menace is not a problem of military repression, that only deals with the symptom," he told reporters.

Mr Garcia said Bush's plan should be reinforced by the 12 EC nations. Colombia, Bolivia and Peru together supply almost all the cocaine sold in the US.

Mr Garcia said the US and the EC could cut the drug flow from Peru by half in a year if they supplied enough radar equipment and planes to intercept drug traffickers flying coca plants to Colombia for processing into cocaine.

● Anti-narcotics police killed 20 leftist guerrillas and two policemen were wounded in a clash in Peru's coca-rich eastern jungle on Wednesday, AP reports from Lima.

Police said a patrol clashed with a column of Shining Path guerrillas a few miles east of Tingo Maria, 240 miles nortbeast of Lima.

Plan to build computer strengths

By Louise Kehoe in Washington

THE Bush Administration is said to be preparing an initiative to boost US high performance computing technology. The initiative is seen as a response to growing concerns in industry and the US government that the US is losing its competitive edge in supercomputing to Japan.

According to electronics industry executives the Administration plan will include a $2bn proposal to build a "super data highway" a high-peed network to link over a thousand computers at research institutions around the US.

Similar proposals are before Congress in a bill authored by Senator Albert Gore, the Tennese Democrat. His Bill calls for the creation of a three gigabit fibre-optic network, to be superimposed on existing computer networks.

OVERSEAS NEWS

South African poll may add impetus to reform

Patti Waldmeir analyses the results of Wednesday's white parliamentary elections

THE most salient fact about Wednesday's general election in South Africa was the unexpected strength of the left, in the form of the liberal Democratic Party. Many South African voters clearly sent a message to the National Party on Wednesday that it should get on with reforming apartheid.

But the Nationalist Party retained political power in the election, and with it the choice of whether or not to heed this message. For the moment, at least, the direction reform is likely to take in South Africa – and the speed at which it will be implemented – remains as unclear today as before the poll.

The first signs are that Wednesday's large protest vote from the left has had an impact on the Nationalists' rhetoric, if nothing else. When Mr F. W. de Klerk, South Africa's acting (and probably next) President, stood up to make his first public comment on the elections, his instinct was to make common cause with the Democratic Party.

He said the vote had delivered a clear mandate for reform, noting that three quarters of the electorate had showed they supported the extension of political rights to blacks, in some form or other.

The National Party's own showing at the polls can scarcely be said to support either claim. For the vote revealed a very substantial reduction in the political base on which the party has relied during 41 years in power. For the first time in 38 years, the Nationalists failed to gain the votes of at least half of the white electorate; the party lost, as a result, fully a quarter of the elected seats which it held in the last parliament.

But if votes were lost in surprisingly large numbers to the left, they were lost in significant numbers to the right as well.

The Democratic Party won 33 seats compared with the 19 held by its liberal predecessor, the Progressive Federal Party. But the ultra-right Conservative Party, which favours partition of South Africa into racially segregated homelands, also registered substantial gains. It took 39 seats, compared with the 22 it won in the last white elections, in May 1987. One further gain is possible, in Fauresmith, where another election is to be held after Wednesday's ended in a dead heat.

For the first time, the Conservatives broke out of the Transvaal, their political base since the party was formed after a split with the National Party in 1982. The Conservatives, led by Dr Andries Treurnicht, took two seats in the Cape and six in the Orange Free State.

Nevertheless, the prospect of the CP forming a majority government in South Africa – which had seemed a distinct possibility before Wednesday's poll – may well have receded permanently with these elections. The Conservatives failed to gain target seats in urban areas which would have been crucial to give it a majority. And its rural base could well be substantially reduced after next year's expected redrawing of constituencies. The current delimitations favour rural constituencies.

Andries Treurnicht, Conservative Party leader, celebrating in the Transvaal town of Nylstroom

That does not mean that the Nationalists can afford to ignore Conservative sentiments entirely, however. In a substantial number of seats, the National Party saw its own majority sharply down in favour of the CP; and the existence of these marginal seats could prove a continuing brake on change.

According to the most pessimistic of scenarios, this erosion of the Nationalist political base to both right and left would leave the party stranded in a narrow middle ground. Eventually, that ground would disappear, leaving only a great rift between liberals and arch-conservatives.

There are a number of more optimistic possibilities, however. For the Nationalists might reasonably conclude, from their election performance, that seats lost to the CP are lost forever – and that fighting for them (and tailoring their policies accordingly) is a waste of time.

That would leave the Government free to follow a more liberal path to reform. Indeed, Wednesday's strong showing by the Democratic Party may well increase international pressure on Pretoria to do just that.

On balance, the election result must make reform more rather than less likely in South Africa. But that begs the question of what Pretoria means when it talks of reform; and indeed, what reform programme the voters thought they were supporting in voting for either the DP or the NP.

As Mr de Klerk said yesterday morning, both parties support the extension of political rights to blacks – in some form or other. Neither supports majority rule, which is what most representative blacks, including the African National Congress, are demanding.

The message from the electorate may well be that it wishes to see an end to the crisis, in both political and especially economic terms. But it was not voting on a clear programme of reforms, and thus it has given the Government no clear sign of what it will expect and demand in terms of change.

Indeed, even those who voted for the DP would have done so in the certain knowledge that the Democrats could never have formed the next Government. Many may have voted Democrat as a means of registering a protest vote against Pretoria's economic policies: its failure to curb government spending, despite repeated promises to do so, the large tax burden it imposes on individuals, the erosion of their living standards.

So while Mr de Klerk could, if he wished, choose to rely on the strong Democratic Party showing to argue for accelerated political change in South Africa, he does not appear bound to do so.

Economic and social forces on the ground will continue to erode the bedrock of apartheid, with black migration to the cities putting ever increasing pressure on the Group Areas Act, which legislates segregated residential areas, and with the Separate Amenities Act appearing to come under pressure from both the courts and blacks themselves.

At the very least, Wednesday's result may mean that Government will be less likely now to stand in the way of such evolutionary change. It remains to be seen whether the impact of the poll will be any more dramatic than that.

Liberal vote held up despite black defiance protest

By Patti Waldmeir in Johannesburg

AS THE last votes in South Africa's general elections were being counted yesterday, anti-apartheid groups and the police were tallying up figures of a more gruesome nature.

They were counting the black and coloured bodies left after an election night of violence in the western Cape. Though they could not agree on a final count – one side put the death toll in double figures, the other insisted it was less than 10 – it seemed clear that the violence was among the worst seen in South Africa in some years.

The election night deaths threw a shadow over the six week anti-apartheid defiance campaign mounted by black organisations in protest at the elections. The campaign, though pursued by largely peaceful means, led to violent confrontations with police in which thousands of blacks were arrested, and many whipped, beaten and tear-gassed.

Blacks were trying to make a point about their exclusion from national politics in South Africa, and about the apartheid restrictions which still determine where they can live, get medical treatment, sunbathe and go to school.

Whites were expected to react to this protest by fleeing in fear from the Democratic Party, which as a liberal party is linked in the public mind with the anti-apartheid opposition. Indeed, as part of its campaign against its left-wing opponents, the ruling National Party went to some lengths to suggest that the DP condoned violent protest.

Political commentators believed this factor would cost the Democrats as many as four seats, especially in the Cape where violence was concentrated.

In fact, the Democratic Party made a clean sweep of the Cape peninsula, and substantially increased its majority in some previously marginal seats in the Cape. Overall, it gained 33 seats compared with the 19 held in the previous parliament by its liberal predecessors, the Progressive Federal Party.

Other commentators said that the violence may have enhanced the Democrats' electoral performance – and perhaps that of the Conservatives as well – by contributing to a sense of crisis among whites. According to that analysis, the high CP and DP polls would reflect anger among voters at the Nationalists' inability to deal with the violence which is endemic in South African society.

ANC divided over response to election

By Richard Cowper

THE African National Congress (ANC), the exiled nationalist movement waging guerrilla war against Pretoria, was divided in its response to Mr F W De Klerk's narrow victory in the South African election.

In Belgrade Mr Alfred Nzo, secretary-general of the guerrilla movement denounced the election as a "farce" and predicted that Mr de Klerk would be the country's last "illegitimate ruler".

But in Lusaka, at ANC headquarters, Mr James Stuart, a senior member of the nationalist movement's national executive committee, came up with a more positive response. He said that the National Party had campaigned on a platform of ending segregation and the people had clearly voted for the "process of dismantling apartheid to begin immediately".

"It's obvious that the time has now come for De Klerk to implement decisively what he had promised the electorate and the international community."

At the non-aligned summit in Belgrade however, Mr Nzo took a much harder stance arguing that the military struggle would continue to remain at the centre of black efforts to win majority rule. South Africa's fate would be determined by the struggle of the masses... and the "armed struggle will continue as a central element in our offensive..."

In London, Sir Geoffrey Howe, UK Deputy Prime Minister warned that Britain, as South Africa's biggest foreign investor, will find it hard to hold out against imposing harsh sanctions unless the new Government reforms segregationist policies.

However the new British Foreign Secretary John Major took a more cautious attitude, saying Britain should keep the "influence" of the threat of sanctions in hand.

Chief Mangosuthu Buthelezi, the Zulu leader said it heralded a new political era and urged Pretoria to push ahead with apartheid reforms. "If Mr F W De Klerk does not prove man enough for the job ahead of him, history will trample on him and the future fight will be for somebody who can walk with history."

Whites desert apartheid for self-interest

ON THE complex stage of white South African politics the little town of Boksburg yesterday provided a cameo performance, which may provide an important insight into what took place elsewhere in the country.

The town's white citizens decided to shake off their most recent electoral history and return to the safe world of mainstream National Party politics.

Just over 8,000 voted for Mr Sakkie Blanche to return him as their MP. In a four-way contest, 89.4 per cent of the white population of this tiny Transvaal town about 30 kms east of Johannesburg gave Mr Blanche a 2,390 majority over Mr E. Nothnagel, the Conservative Party candidate.

It would not be an especially remarkable result had these same voters not voted the Conservative Party into power in last October's municipal elections.

Once elected, local councillors decided to brush the dust off the old apartheid signs taken down two years previously and start barring blacks from municipal amenities.

Multi-racial audiences were also banned and the central business district reverted to whites-only status.

The Conservative Party had problems, however, in applying raw apartheid rhetoric. The black residents of Boksburg, or more accurately of the adjacent Vosloorus and Reiger Park townships, were going to have none of it.

The centrepiece of their campaign, devised at public meetings of 172,000 black and 40,000 coloured citizens, was a boycott of the town's white-owned shops – it was estimated these depended on black consumers for 80 per cent of their trade.

Local black taxi drivers made special trips to take shoppers to other white towns in the area, like Germiston, Alberton and Benoni.

The greatest outcry came from businessmen who, with self-interested indignation, denounced the councillors for "going to far" and began putting "all races welcome" signs in their shop windows.

The discovery of the power of an economic boycott has not – it would seem – been lost on the town's white voters.

Caroline Southey

Plot to overthrow Bhutto foiled with arrests of officers

By Christina Lamb in Islamabad

A PLOT to overthrow Ms Benazir Bhutto, Pakistan's Prime Minister, has been foiled with the arrest of a group of Pakistani army officers.

According to ministerial colleagues of Ms Bhutto and Pakistani intelligence, the arrests earlier this week followed a tip-off from the US Embassy in Islamabad.

A major general and several middle-ranking officers are understood to have been arrested, although the armed services claim to know nothing about it.

Mr Akram Sheikh, the Director of the Intelligence Bureau, appointed by Ms Bhutto and supposed to monitor potential problems, is also being removed – probably to be sent abroad as an ambassador.

The first signs that all was not well came last month when Ms Bhutto cancelled all foreign trips for the next two months. There have been increasing fears for Ms Bhutto's security with threats from both inside and outside the country – particularly from Sikh extremists and Abu Nidal, the Palestinian organisation, which has several members serving life sentences in Pakistan for the hijack of a PIA aircraft in 1981.

Although Pakistan has a long history of military rule there has never been a junior officers' coup, and it is unlikely such an attempt would have gained widespread support from the army – most military figures say they are fed up with politics. So far Ms Bhutto's government has allowed senior officers to retain the perks they enjoyed under military rule.

Ms Bhutto is known to be uncomfortable, however, with some key corps commanders who were handpicked by the late President Zia and did their best to stop her People's Party winning November's elections. Some pro-Zia sections of the army fear a purge.

Such worries increased last month when, acting on the advice of her Law Minister, Ms Bhutto said that the tenure of Admiral Sirohey, who became Chairman of Joint Chiefs of Staff last November, was over on August 14 after he had been an admiral for three years. President Ghulam Ishaq maintains dismissal of services chiefs is his prerogative, and as far as he is concerned Sirohey will remain until 1991. However, if he ultimately concedes, it will set a precedent.

New Zealand MPs back Anzac frigate project

By Terry Hall in Wellington

NEW ZEALAND'S Labour MPs yesterday voted overwhelmingly to take part in the controversial Australian Anzac project to build naval frigates – risking a political backlash from the powerful peace movement.

The agreement by Labour MPs to back a decision already agreed in principle by the Labour Government means that New Zealand will take part in the construction of two Meko 200 frigates, designed by Blohm and Voss, in Victoria at a cost of NZ$942m (£358m). There is also an option on a further two at a cost of NZ$867m.

Mr Geoffrey Palmer, New Zealand's new Prime Minister, said the cost – which includes labour materials, equipment procurement and spares – was 20 per cent less than the Australians were paying because of lower infrastructure costs.

Under the agreement, New Zealand industry can supply up to NZ$750m worth of items for the project. If it decides to buy the additional frigates, New Zealand manufacturers will be given a similar level of access to other Australian defence projects.

The governments have also agreed to greater access for New Zealand to the wider Australian defence market worth a further NZ30m a year. So far defence has been excluded from the closer economic relations between the two countries.

The decision was welcomed by Mr Kim Beazley, the Australian Defence Minister, who said it would strengthen defence and economic ties between the countries.

The decision, however, went against a Labour Party resolution and warnings from Ms Ruth Dyson, its president, that buying the frigates could split the party.

UK company supplied Iraqi military complex

By Victor Mallet in Baghdad

THE explosion at an Iraqi munitions factory last month inwhich hundreds of workers are believed to have died has again focused attention on the involvement of foreign companies in Iraq's efforts to develop its military industries.

One company which supplies the military/industrial complex of al-Qaqa, south of Baghdad, where the blast occurred was 600 Services of Colchester, Essex, in the UK. The company, a subsidiary of the 600 Group listed on the UK stock exchange, has an office in Baghdad and a staff of about 20 to carry out its business at various sites in Iraq.

600 Services provides engineering and industrial equipment and technical training. It had a stand at last year's Trade Fair in Baghdad and is expected to exhibit again this year.

Mr Peter Fernie, the branch manager in Baghdad, said yesterday that 600 Services provided machine tools such as lathes, to the complex. "I would imagine that since the equipment was supplied we have been down to the site but it was prior to the explosion."

Since the blast in August Iraqi authorities have cordoned off the area and it is not clear if 600 Services will need to repair or replace any of its equipment.

Mr Fernie said the complex near al-Hillah was one of several projects – "the majority on the secret list" – in which 600 Services is involved. Responding to questions from the Financial Times he said the equipment supplied was of a civilian nature but could obviously be used for military purposes.

Yesterday the Iraqi Government finally admitted there had been an explosion but denied that several hundred people were killed. The Iraqi statement, issued by the embassy in London, said 19 people died when a fire at a field depot ignited explosives.

By last night there was no statement from Baghdad itself, but sources in the Iraqi capital insisted that the death toll was in the hundreds and said the accident occurred when stocks of TNT exploded. They blamed soaring summer temperatures.

Hoping debts will be honoured in future

Victor Mallet on why foreign creditors are prepared to lend yet more money to Iraq

THE SCANDAL surrounding the financing of exports to Iraq by a branch of Banca Nazionale del Lavoro (BNL) of Italy has underlined Iraq's dependence on foreign credit to fund ambitious development plans after its eight-year war against Iran.

Mr Hikmet Mukhalif, the Iraqi Finance Minister, said yesterday that Iraq would honour the central bank's guarantee of the BNL letters of credit concerned.

The country's creditors remain anxious, however, about Iraq's foreign currency shortage and its inability to service debt without repeated bilateral reschedulings.

Iraq's foreign debt rose sharply during the Gulf War and is now estimated to be between $65bn and $80bn. Half of it is owed to fellow Arab oil producers, principally Saudi Arabia and Kuwait, who will probably never be repaid.

Of the remainder, about $15bn – much of it in arrears – is guaranteed trade debt to important partners like Japan, France, Italy and West Germany, with the rest mainly military debt to suppliers such as the Soviet Union.

The Iraqi authorities, nervous about revealing the extent of their military imports, have so far refused to publish any significant economic statistics. They also refuse to contemplate a multilateral rescheduling agreement.

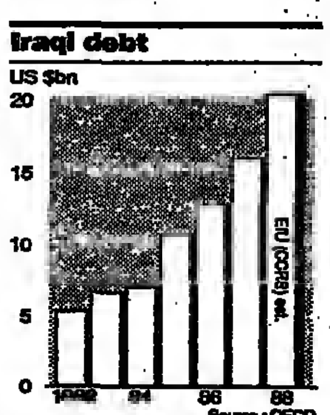
Debt repayment is not a foreign exchange priority for a government intent on paying for military and civilian imports, rebuilding its oil industry, and remitting salaries for some 2m migrant workers.

Iraq has instead played off one creditor against another, offering further business in Iraq in exchange for new credit and rescheduling agreements that promise performance from at least some of the old loans.

In Baghdad, Iraqi officials appear to believe that a multilateral rescheduling would undermine confidence in the Iraqi economy, although they accept that a series of bilateral accords costs time and money in the form of lengthy negotiations and higher interest rates.

"Yes it is costly for us," said Mr Mukhalif in an interview with the FT, "but we know on the other hand that we keep our partners faithful and confident in our economy and our government's behaviour."

He continued: "If someone would like to have static debt, fine. If he would like to have operational debt, that means we circulate the debt because they have the benefit of selling goods and services to Iraq. If they want to expand their activities in Iraq, they have got to facilitate more for us. This is the way we handle things with them."



A Western diplomat put it another way: "You can do unlimited business here – on credit. The Iraqis are not in a position to honour any agreements. The best they can do is to make their interest payments."

Although Iraq's debt service is running at perhaps $3bn a year, some creditors, among them Japanese companies, are not even receiving interest.

For creditors, the Iraqi debt crisis has become a war of nerves in which they have displayed only a small measure of solidarity with each other. Some of them agree with the Iraqi assessment that the problem will ease in five to seven years, as Iraq recovers its strength as an oil state – second only to Saudi Arabia. Others are more sceptical.

With oil accounting for 95 per cent of Iraq's exports, the foreign exchange available depends on oil prices, the level of production and the rate of the dollar against other currencies. Iraq is producing at about its Opec quota of 2.8m barrels a day, but it is steadily increasing production and export capacity to back its long-term demand for a higher level of output.

In the meantime, it pays for critical goods and services – for defence and the oil industry – in cash or with oil barter agreements and insists on deferred payment terms for the rest.

According to sources in Baghdad, the BNL letters of credit guaranteed by Iraq were on deferred terms of between two and five years. The Iraqi central bank routinely issues or guarantees letters of credit, while Rafidain Bank, the state-owned commercial bank, has suffered from a poor payment record in the past.

Creditors criticise Iraq on various counts. They say it is undertaking expensive bilateral accords instead of restructuring the whole debt; they say it is pursuing an over-ambitious industrialisation programme, including petrochemical plants and large industrial complexes, which it can ill afford; and they maintain it is trying to get itself deeper into debt in a misguided short-term effort to solve its problems, although Mr Mukhalif insists the debt is not rising but falling.

According to one estimate, Iraq's income this year will be about $15bn, while military and civilian imports will total $13bn, project obligations $3.5bn and theoretical debt servicing obligations $7.5bn. This leaves a shortfall of $9bn.

"It's not easy," says Mr Mukhalif. "The capacity for the development of Iraq is larger than the availability of the resources for these projects. Therefore, as for any project which we could finance on easy terms without putting a burden on our economy in two, three or four years – well why not?"

The problem is that some creditors believe Iraq is doing just that – putting a burden on its economy in future years. The carrot of future business and the stick of losing out to fellow creditors, however, is irresistible.

Japan may be digging in its heels, but West Germany agreed to reschedule DM1.4bn (£457m) due this year – some of it already rescheduled more than once – Italy is guaranteeing some project finance, and other creditors are also expected to reach their own agreements in the months ahead.

Two dead in W Beirut shelling

By Lara Marlowe in West Beirut

AS IF in anger at the evacuation of the US embassy 18 hours earlier, Lebanese Christian General Michel Aoun's artillery unleashed a barrage of shellfire on West Beirut early yesterday morning.

Syrian gunners riposted and in the hours that followed two deaths and 10 injured were added to the more than 800 killed and 2,500 people wounded who have paid most dearly for Gen Aoun's six-month battle against the presence of 40,000 Syrian troops in Lebanon.

But Gen Aoun reserved his verbal bombardment for the reporters who visited him in his underground bunker yesterday. He condemned State Department spokeswoman Margaret Tutwiler's allusion to "a good dose of Christian terrorism" as a "calculated but crude personal attack" against him. He mocked the departed US ambassador John McCarthy for having "a fixation about his personal security" and compared his own "war of liberation" against Syria to the US war of independence against Britain.

The more than 1,500 demonstrators who cut telephone lines to the embassy on Tuesday, threatened to cut the water supply and told US staff they could not leave were referred to by Gen Aoun as "400 or 500 peace-loving, middle-class teenage children".

He sought to portray their actions as proof of the freedom of speech and expression within the Lebanese Christian enclave which he controls.

The Lebanese Christian community is traditionally pro-American and Gen Aoun's instigation of the first withdrawal of a US ambassador from Lebanon in 14 years of civil war has shocked them deeply. By prompting the US diplomatic mission to leave Lebanon, Gen Aoun may have played into the Syrians' hands.

Indian economic growth 'remains healthy' despite big slowdown in GDP

THE GROWTH of the Indian economy is expected to slow down in the current year with real GDP rising by 5 per cent as against a record 10 per cent in 1988-89, according to the Reserve Bank of India in its annual report published yesterday, writes David Housego in New Delhi.

But the Bank sees the economy still expanding at a healthy rate with growth during the current five-year plan, and particularly growth in manufacturing output, slightly higher than originally targeted.

The Bank finds particularly encouraging that exports in volume terms have risen by an annual rate of 10 per cent over the last three years – "thus registering a quantum jump from the low trend rate of volume growth of 2-3 per cent for the past 3½ decades."

But the Bank takes the Government to task for continually high budget deficits which are imposing inflationary strains on the economy. It also criticises a widening in the current account deficit which is intensifying the country's foreign indebtedness. The Bank proposes that the Government "should aim at pricing its entire debt in the market at appropriate interest rates."

Bankers yesterday took the statement to mean that the central bank is backing a shift to a market-oriented interest rate structure.

The report says that net Central Bank credit to the Government has been rising at an average compound rate of 19 per cent a year at a time when real economic growth has been just over 5 per cent. The report blames this on the Government's lax fiscal policies.

It says that deficit financing (as defined by net Central Bank credit to the Government) will have climbed to Rs330bn ($20bn) at the end of the current five-year plan or nearly 2¾ times higher than originally anticipated. It says that interest payments now account for 44 per cent of tax revenues.

OVERSEAS NEWS

Non-aligned countries soften stance on West

By Robert Mauthner, Diplomatic Correspondent

THE non-aligned countries ended their four-day summit in Belgrade yesterday with a declaration which noticeably softened their previous anti-Western stance, while remaining critical of the industrialised world for failing to ease the plight of the poorer nations.

The moderate countries of the 102-member Non-Aligned Movement (NAM) – such as Yngoslavia, Egypt and India – persuaded the conference to adopt a document which recognised that the world political climate had improved and that "encouraging progress" had been made towards finding solutions to world and regional problems.

The final statement was in sharp contrast to declarations following the last NAM summit in Zimbabwe in 1986 and earlier conferences. While in Harare the member countries condemned imperialism, colonialism, zionism, racism, foreign intervention and a host of other iniquities alleged to have been perpetrated by the West. The Belgrade declaration was almost entirely devoid of such ritual denunciations.

Instead, the declaration praised US-Soviet efforts to reduce world tension and said the resulting détente was "a window of opportunity for the international community."

Mr George Vassiliou, the President of Cyprus, said the summit would be remembered as the beginning of a new era for the movement, during which it would aim to avoid confrontation and would strive to co-operate with all nations of the world.

The traditional hardliners – Cuba, Libya, North Korea, Panama and some other members – remained relatively isolated in Belgrade. President Fidel Castro of Cuba, sensing the way the wind was blowing, did not make an appearance at all in Belgrade, while Libya's leader Muammer Gadaffi, who brought his own camels to the meeting, provoked only embarrassment with his proposal that Jews should be resettled from the Middle East.

The relative harmony of the meeting was disturbed only by a public row between Iran and Iraq over who was responsible for the deadlock in the Gulf peace talks and a slanging match between Pakistan and Afghanistan over the civil war in Afghanistan.

Mr Perez de Cuellar, the United Nations Secretary-General, who had talks with the two Gulf rivals in Belgrade, said afterwards that he had made no progress in his efforts to revive the stalled peace talks, which began in August last year.

However, there was unanimous agreement between the member states on the need for the West to do much more to help the Third World. In particular, the summit demanded urgent Western action to ease the $1,300bn debt burden of the developing countries, calling for lower interest rates, easier credit terms and cancellation or conversion of the debts of the poorer nations.

After initial disagreement over the mild tone of early draft texts on Sonth Africa drawn up by Yugoslavia, the summit finally bowed to the demands of the African states that sanctions against the "abhorrent regime" in Pretoria should be increased and intensified.

The non-aligned nations also accused South Africa of flagrant violations of the independence plan for Namihia and appealed to the United Nations to step in and put extra pressure on Pretoria.

The declaration described the situation in Namibia as alarming and said South Africa persistently refused to respect Security Council resolution 435, the 11-year-old blueprint for the territory's independence. It demanded nrgent action from the Security Council to force South Africa to remove elements of its Koevoet counter-insurgency unit now serving with the territory's police.

Marcos goes on trial in the Philippines

By Greg Hutchinson in Manila

THE PHILIPPINES pnt Mr Ferdinand Marcos, the former president, on trial in his absence yesterday for allegedly plundering the nation's wealth. This was made possible after he was declared in default by the court for not answering summonses.

Mr Marcos refuses to recognise the jurisdiction of Philippine courts.

The opening of tbe case – the first of a planned 35 civil snits against the exiled dictator, his wife and dozens of business associates seeking a total $100bn in damages – marks the real beginning of the arduous process to recover the wealth allegedy taken out of the Philippines by illegal means.

"It's about time that the first real significant step be taken towards the recovery of hidden wealth," Mr Francisco Chavez, the Solicitor General, told the court in an opening statement.

Within days of Mr Marcos being overthrown in February, 1986, officials appointed hy President Corazon Aquino began compiling evidence. They were hindered until now by the sheer volume of evidence and procedural considerations, such as Marcos's exile and the inability to try him here on criminal charges in absentia.

Instead, the Marcoses are facing criminal charges in the US where they are residents, although the ex-president has been ruled too ill to attend the New York court.

They face charges of stealing $109m from the Philippine Treasury and defranding New York banks of $165m.

Cutting the cost of contraception

John Murray Brown looks at efforts to curb Indonesia's population

CLIENT orientetion, cross subsidisation, and product choice; today the doctors and midwives at BKKBN, Indonesia's family planning agency, talk the language of New York advertising executives.

After 18 years providing an esssntially free service, BKKBN is turning to the private sector to carry some of the financial burden, as officials strive to curb the growth of the world's fifth most populous country.

Five leading contraceptive manufacturers have agreed to sell their prodncts at lower prices in the bope of increasing their share in this market of 175m people.


Indonesia is the world's fifth most populous country

The project has been given official dispensation to advertise. The local hranches of advertising agencies Oglivy & Mather and Saatchi and Saatchi heve emberked on what the Government likes to call a "social marketing" campaign to encourage individual cboice among Indonesia'e growing urban middle class. Officials predict that hy tbe year 2000 about 50 per cent of all eligible couples could be paying for their own contraceptives.

The move marks a watershed for what is acknowledged as one of the country's most successful public bealth policies. The decision to reduce the state's role represents – et least for western donors supporting the programme – perhaps the ultimate test of any aid project: whether it creates dependency or can be genuinely self-sustaining. As one foreign consultant put it: "We don't want to supply the 747 and then be accused of cutting off the fuel."

Indonesia's family planning programme has had considerable success using a combination of simple marketing tools to overcome misgivings in this conservative, predominantly Moslem country. The programme gets support from the leaders of all five official religions – Moslems, Hindus, Buddhists, Roman Catholics and Protestants. The message *Dua Anak Cukup* – two children is enough – is emblazoned over ketcbup hottles, et tbe entrance to every village and broedcast at traffic ligbts. "BKKBN is small enough to be flexible, and flexible enough to adapt to local customs," says Mrs Ngoc Uyen Lnong, the country director of the United Nations Population Fund. "They moved from the slogan of a small family is e happy family, to the idea that a small family is not only a happy family, it is also a prosperous family."

According to a United Nations survey in 1987, 44 per cent of married women use modern birth control methods – and 80 per cent of those use the pill, the intra-nterine device (IUD) or injectable contraception. Fertility rates also show a sharp decline from 5.5 children in 1971 to 3.3 in 1987.

By the year 2000 officials are aiming for a rate of two children per couple – with population stabilising at ebout 300m by the year 2050. According to Populi, the official family planning journal, just to meet these targets will require at least 20,000 new acceptors e day.

The US Agency for International Development last week gave $20m to support this new "self-reliant" family planning initiative. To date, the US has approved $200m for Indonesia's family planning programme, but Washington says this is the last package. Other donors are also cutting funding.

The programme has never been short of ambitious ideas. Since coming to power in the mid-1960s President Suharto has made population control a central plank of government policy. Long-term acceptors are given awards and invited to tea et the presidential palace and even hefore the AIDS scare made such gestures popular, President Suharto was opening condom factories.

In 1985, in a move aimed at reducing BKKBN's huge recurring costs, the Government introduced the Norplant, a little-tried Finnish product which when inserted under the skin provides contraception for a woman for up to five years.

More controversially, BKKBN has heen using the Depo Provera injectable, a drug mede by Upjohn of the US which caused serious health concerns in the West. In short, BKKBN adopts what one foreign aid consultant describes as "a cafeteria epproech to family planning."

Under tbe new self-reliant programme five products – the pill, the condom, the injectable, the inplant and the IUD – are to be sold in private clinics at up to 50 per cent off the listed price.

Mr Simanjuntak, Indonesian manager of the German company Shering, which currently has 70 per cent of this private sector market, expects his sales to increase five times.

At a time when the pharmaceutical industry as a whole is suffering a deep recession, Sherings is talking of new investment.

Mujahideen claim Kabul aircraft shot down

By Christina Lamb in Islamabad

AFGHAN mujahideen claim they have shot down a Kabul regime transport aircraft at Khost and set fire to the airport.

The aircraft was taking ammunition to the southern garrison town which has been the scene of heavy fighting for the last two weeks. It was shot by long-range artillery and according to the guerillas, exploded on landing, setting fire to the airport.

Infighting between the seven resistance groups based in Pakistan continues, with the attempted assassination of a major commander from Pir Gailani's National Islamic front of Afghanistan (NIFA).

Commander Zaman was ambushed by gunmen while driving in Hayatabad, a suburb of the frontier town of Peshawar, headquarters of the resistance. He was seriously injured and three of his men killed.

Commander Zaman was responsible for the capture of Samarkhel, the garrison just outside Jalalabad which has since been retaken by the Kabul regime. Nifa sources believe his attackers to be from his main rival in the area.

Three major Nifa commanders have been assassinated in the past two months, apparently by rival rebel groups.

Rabin in Washington for peace plan talks

By Hugh Carnegy in Jerusalem

MR YITZHAK RABIN, the Israeli Defence Minister, flew to Washington yesterday for talks with the Bush Administration in which the two sides will be seeking ways to advance stalled peace efforts for the occupied West Bank and Gaza Strip.

Mr Rabin, a former Labour Party prime minister, is the minister with the strongest personal commitment to an Israeli peace plan based on elections in the occupied territories leading to some form of self-government for Palestinians.

He is anxious that Washington's so far unsnccessful efforts to persuade the Palestine Liberation Organisation to sanction elections should not fail.

There have been indications from Mr Rabin that he is prepared to go some way towards meeting PLO demands that a team to negotiate election terms should include some Palestinian figures from outside the occupied territories.

Mr Shimon Peres, the Labour leader, has also given ground on this issue.

But a crucial stumbling block remains the insistence by Mr Yitzhak Shamir, the hardline Likud Prime Minister, that Israel will only deal with non-PLO representatives from within the West Bank and Gaza.

Differences between Labour and Likud have bedevilled the Israeli peace plan, with Mr Shamir and Mr Peres this week again trading public insults on the issue.

Moderate Palestinian leaders of the 20-month old uprising in the occupied territories, anxious that radical factions will gain the upper hand if political advances are not made soon, are worried hy the current stalemate.

A group is expected in Cairo to discuss ways of breaking the deadlock.

Egypt, which has proposed a 10-point plan to Israel for getting elections off the ground based on an Israeli commitment to ceding land for peace, has signalled its willingness to act as a go-between.

But it is reluctant to get involved in high-level contacts with Israel, such as mooted talks between President Hosni Mubarak and Mr Moshe Arens, the Israeli Foreign Minister, unless it is assured of a substantive outcome.

● Mr Shamir yesterday warned Jordan not to allow attacks on Israel from its territory after Katyusha rockets were fired – harmlessly – across the border early yesterday.

This was the fifth cross-border incident this year and the first rocket attack for 20 years.

Israeli authorities are worried that Jordanian control of Palestinian guerrilla gronps has slackened after years of quiet along the border.

Brittan warns of harmful risk in EC social charter

By Guy de Jonquières, International Business Editor

SIR Leon Brittan, the European commissioner for competition policy, said yesterday that the Community's proposed social charter must not become an instrument for *imposing economically harmful* "social engineering" on EC members.

He told the Institute of Personnel Management in London that the charter had until now seemed to many people to be a "backward looking threat".

Sir Leon indicated that ha shared many of the reservations expressed by the British government about the implications of the proposal in its current form.

Any attempt to use the charter to legislate employment protection or set en EC minimum wage would damage job creation and industrial competitiveness, he said. It must not be regarded as a form of compensation for the removal of the Community's internal trade barriers.

Sir Leon voted against the proposed charter when it was discussed by the commission earlier this year.

Yesterday's speech appears intended as a warning to his colleagues in Brussels, the European Commission base, not to push ahead with too ambitious a scheme, in the face of opposition from some EC governments.

Brittan: warning on charter

It was natural that countries such as the UK, which had suffered from their own past efforts at social engineering, should be anxious about any attempt to impose such policies by a different route, he said. The EC must not affront national sensitivities in these areas.

Britain, however, must not automatically assume that any reference to worker participation meant a requirement to appoint employees to company boards.

The European Community should be able to find a formula acceptable to the UK which recognised that workers were part of a company.

Sir Leon said that, to be of value, a social charter should set down general principles which were endorsed by all member states but which had not been universally implemented.

The charter should not seek to impose one particular view of social relationships

● THE strengthening of a majority of the European Parliament in support of a "social dimension" to 1992 will make it much more difficult for governments to block progress in the future, Mr Bruce Millan, European Commissioner, told the Trades Union Congress

Mr Millan, who has special responsibility for regional policy, said it was "obviously of great importance" that the Commission should obtain agreement by member states to the Social Charter as a whole.

Hauliers face difficulties over deregulated transport market

By Kevin Brown, Transport Correspondent

BRITISH transport companies could face difficulties in operating in other European Community states after 1992, despite the impending completion of the single market, Mr Cecil Parkinson, the Transport Secretary, said yesterday.

Mr Parkinson told a seminar on transport and distribution in London was a danger Continental European companies would take unfair advantage of the deregulated UK transport market.

The Government has been pressing for EC progress on the dispnted issue of cabotage – the right for companies of one member state to offer domestic services in another.

Mr Paul Channon, the former Transport Secretary, threatened retaliatory action against companies in some of the EC's southern states which refuse to UK shipping companies the right to offer cabotage services.

There have also been extensive talks on the extension of cabotage to the road transport industry, but little progress has been made on overcoming West German opposition, despite compromise proposals by the European Commission.

Mr Parkinson said a British coach operator, for example, might find it difficult to operate domestic services in Spain or West Germany, but there would be no obstacles to prevent a Spanish company operating in the UK.

"We don't wish to engage in hidden protectionism, but we do want to ensure that our operators gain the same access to foreign markets as we are willing to offer to European operators in the UK," he said.

Mr Parkinson's comments indicate he is willing to reopen the cabotage issne in talks with other Community transport ministers.

● A "fast lane" customs clearance service introduced as part of the UK's preparation for 1992 is working well, the Customs and Excise said yesterday.

The system allows lorries to pass through customs in as little as 90 minutes using a computerised consignment declaration system.

In Brief

Companies increase use of electronic trading

THE NUMBER of UK companies employing electronic trading techniques has doubled over the last year, bringing the total amount of users to 2,500.

According to EDI '89, an indnstry conference organisation backed by the Department of Trade and Industry, 70 of the country's top 100 companies now trade electronically for some of their transaction, the largest number of users in any European country.

Agency broker move

Seccombe Marshall & Campion, the City of London discount house, is considering entering the gilt-edged market as an agency broker. The Earl of Clarendon, the chairman, said yesterday that regulatory approvals were being sought.

If these were obtained, Seccombe would hire a gilts brokers who left ANZ Bank after it wound down its gilts business recently.

Elf rationalises

ELF AQUITAINE, the French oil company, is planning to rationalise its North Sea oil and gas assets through a programme of swaps and disposals during the next six months.

Coal 'green pact'

British Coal has signed a "green pact" with the Nature Conservancy Council to protect wildlife and natural habitats in areas with opencast mines.

Oracle investigation

The Office of Fair Trading has launched an investigation into an alleged anti-competitive practice by Oracle Teletext, the teletext provider on ITV and Channel 4 networks.

Thorn EMI changes

THORN EMI, the music, lighting and technology group, told staff that it planned to reorganise the management of its television and video rental chains. No shops will close and less than 100 jobs will be lost.

Western backing for anti-terror squad

By Philip Stephens, Political Editor

THE ORGANISATION representing centre-right parties in leading Western nations is set to endorse a call for much tougher international action to combat terrorism.

The International Democratic Union, which counts among its members the US Republican Party and Britain's Conservative Party is expected to support proposals for the establishment of international teams of experts to counter and investigate aircraft hi-jackings and other terrorist acts.

A paper set for endorsement at the IDU's bi-annual conference in Tokyo later this month says that more action is needed to strengthen the resolve of states who are faced with intolerable pressure when faced with terrorist blackmail.

Mrs Margaret Thatcher, Britain's Prime Minister, is expected to tell the conference that efforts to counter terrorism must remain a key priority for world leaders.

The paper, prepared by Sir James Spicer, vice-chairman of the Conservative Party, calls for "total international cooperation in the exchange of information" and "determination never to deal with terrorists in any way or at any time".

More specifically it calls for agreement to set up an international advisory group which would be available immediately to support governments in the event of an aircraft hijacking.

That should be backed by an international team of experts who would be qualified by practical experience to investigate such attacks and recommend measures to tighten security.

The paper also says that governments should declare as "outlawed" any indentified terrorist groups or individuals, and sanctions operated against those nations providing them with support.

ICI salary scheme launched to stem flight of young scientists

By David Thomas, Education Correspondent

IMPERIAL Chemical Industries, Britain's largest chemicals group, is so concerned about the flight of top-rank scientists and engineers from UK universities that it has decided to top up the salaries of some young academic chemical engineers.

Dr Peter Doyle, ICI's research and technology director, said yesterday the company's initiative was designed "to help prevent the collapse of chemical engineering teaching and research in British universities."

He was speaking on the announcement of the first two winners of ICI's fellowship scheme, Dr Lynn Gladden, an assistant lecturer at Cambridge, and Dr John Woodley, an assistant lecturer at University College, London.

Under the five-year scheme, ICI will supplement their salary by £5,000 a year in the first and second years, by £4,000 in the third, by £3,000 in the fourth and by £2,000 in the fifth. The academics will spend some time working with ICI during the five years.

The payments are designed to bridge the gap between what young chemical engineers in universities earn at the start of their careers compared and what they would earn in industry. The payments fall off in anticipation that the academics will earn consultancy fees as they gain experience.

The large gap between academic and industrial salaries acted as a disincentive for top flight young engineers and scientists to work in the universities, ICI said.

Dr Doyle said the company, which recruits about 50 chemical engineers a year straight from college, was concerned about how British universities will meet future demand for chemical engineers; "the demand will continue to increase and that worries me against the demographic trends."

The Institution of Chemical Engineers estimates that large British companies are failing to fill about one in six of the vacancies they have for graduate chemical engineers.

Earlier in the year, Mr Kenneth Baker, the then Education Secretary, called on more companies to top up the salaries of university lecturers, following Esso's decision to supplement the salaries of academic engineers.

Security sought for European ambitions

By Raymond Snoddy

THE New Statesman and Society, the political and social weekly whose founders included George Bernard Shaw, has decided to seek either a purchaser prepared to take a large minority stake in the company.

The magazine, now controlled by a trust made up of private individuals, has decided that it needs a substantial injection of capital to secure its future.

Mr Pat Coyne, chief executive of the Statesman and Nation Publishing company said yesterday the step had been taken "because it is difficult to keep going as we are." The board had decided that it is prepared to sell the company but only to a good home.

"The loss of our independence would be a cause of regret to some people but it would depend on how it was done," said Mr Coyne who is looking for up to £2m for a minority stake.

The New Statesman and Society was formed as a result of the merger of the New Statesman and New Society last year. Circulation is now nearly 40,000 and there are hopes that the magazine, which lost £400,000 last year would begin to break even in the current financial year.

The aim is to turn the magazine into an English language European political and social weekly, something that would need expanded promotion and advertising sales operation.

Baker predicts union 'anarchy'

By Ivor Owen, Parliamentary Correspondent

BRITAIN would be plunged into "industrial anarchy" if the demands made by the TUC for the removal of the existing curbs on union power were to be introduced by a Labour Government, Mr Kenneth Baker, the Conservative Party chairman, claimed yesterday.

He was joined by Sir Geoffrey Howe, the leader of the House of Commons, in a bid to exploit the differences which have emerged at the TUC's Blackpool congress between Labour's industrial and political wings over the repeal of industrial relations law.

Both Mr Baker and Sir Geoffrey cast doubt on the ability of Mr Neil Kinnock, the leader of the opposition Labour Party, to honour his assurance following the TUC vote that the unions would not be allowed to set Labour Party policy.

In a letter to the Labour leader, Mr Baker asserted that the trade union leaders were demanding "a licence to disrupt the economic life of Britain and full protection from the current consequences of doing so".

At the same time Mr Baker suggested that the demands made by the TUC were closer to the position resulting from Labour's policy review than Mr Kinnock would admit.

To support this opinion, he quoted a comment by Mr Michael Meacher, the shadow employment secretary, that there was "nothing incompatible" between the decisions reached at Blackpool by the TUC and the party's policy review document.

Mr Kinnock replied nothing in Labour's proposals would "allow any grouping" to disrupt the economic life of Britain.

UK NEWS

Confidential report says half UK pits run at a loss

Break-up of British Coal risks further pit closures

By Charles Leadbeater, Labour Editor

THE BRITISH coal industry would contract significantly if it were broken up into separate operating companies when it was privatised, according to a confidential British Coal report.

The prospect of further pit closures this financial year are raised by confidential British Coal financial returns which show that more than half the corporation's 83 collieries incurred a combined loss of about £96.5m, including interest charges, in the first quarter of the financial year.

The break-up of the corporation into separate companies based on coalfields or units within them has emerged as the most likely form of privatisation.

The report, prepared in May, examines what would happen if British Coal areas were allowed to price and market their coal separately rather than through the centralised system which operates at the moment.

It concludes: "A price war would start and the inevitable winners would be those areas/pits with the lowest production costs per unit of heat. The inevitable consequence would be a smaller industry, basically only servicing power stations."

The report says separate pricing might reveal the profitability of areas but "at the expense of traumatic changes in the industry which would have very wide repercussions throughout the economy."

It gives as an example what would happen if the South Yorkshire area were allowed to compete with areas such as North Yorkshire and Nottinghamshire, which together employ about 26,000 miners.

It predicts South Yorkshire would move out of its high quality coking coal market supplying coke ovens and exports markets and convert its production to a basic power station blend.

The pooled marketing system involves cross-subsidy from low-cost to high-cost areas of production, to allow British Coal to charge standardised prices in spite of differing production costs.

They believe that conclusion is borne out by confidential financial returns for British Coal's 83 collieries for the three months to June. The figures show that 55 collieries, which between them employed 47,126 miners, made a combined loss of £136.8m. The returns show that 62 pits, employing 53,771 miners, were operating beyond the cost targets the corporation has set for pits to attract investment. At these pits it cost more than £1.50 to produce a gigajoule's worth of coal, a measure of the heat generated by a tonne of coal.

Productivity, which has risen by 90 per cent since the end of the 1984-85 miners' strike, averaged 4.4 tonnes per manshift, ranging from 5.99 in North Yorkshire to 3.8 tonnes in South Wales.

British Coal said the figures did not include profits from the sale of land and open-cast mining which make a substantial contribution to offset losses from deep mined production. The profit and loss figures include interest charges which will amount to £550m this financial year, in the wake of the rise in interest rates.

The corporation and the mining unions are pressing for legislation to be introduced this autumn to write off a significant proportion of the industry's £1bn debt. This would transform its financial performance.

Doubts cast over results of Lloyd's subsidiary

By David Waller

ERNST & Whinney, the London accountants, has heavily qualified the accounts of Lioncover – the specialist insurance subisidiary set up by Lloyd's of London to take over the liabilities of the notorious PCW syndicates – for the second year running.

Lioncover's accounts show that the estimate of gross outstanding claims on the PCW syndicates has risen from £513m to £553m and that there are still doubts over recoverability of claims supposedly covered by reinsurance.

The net operating deficit was £5.11m, an amount which under the terms of the settlement between Lloyd's and the PCW names in May 1987 has to be met by Lloyd's Central Fund.

In its audit report, Ernst & Whinney state that they are: "unable to express an opinion on whether the company's record accurately reflect its financial position".

● THREE years after what is generally agreed to have been a vintage year for the insurance industry, the Lloyd's of London insurance market yesterday reported record pre-tax profits of £648.46m for 1986.

Survey shows profits squeeze

By Peter Norman, Economics Correspondent

BRITISH retailers and wholesalers are suffering a squeeze on margins and are viewing their overall short term business prospects with less optimism than at any time in the past six years.

That is ths finding of the latest Confederation of British Industry/Financial Times distributive trades survey.

The August survey of around 450 companies in the retail, wholesale and motor trades provided further evidence that the Government's high interest rate policy is constricting consumer demand.

In retailing, there was a slight pick-up in sales growth in August after July when sales were virtually stagnant compared with July last year. Wholesalers, however, reported their lowest rate of sales growth since 1984.

Mr Nigel Whittaker, chairman of the CBI distributive trades panel, said the slow sales growth in the wholesale sector last month showed that "restrained consumer spending is now beginning to spread throughout the economy."

The recovery in August retail sales was limited to grocers, specialist food outlets and clothing stores, he said. The sharp slow-down in the housing market had restricted demand for such "big ticket" items as carpets, furniture and electrical equipment and do-it-yourself goods.

Mr Whittaker said the latest survey showed "a significant fall of confidence" among companies polled compared with last summer when consumer demand was at its peak. He did not believe that the revival of retail sales in August marked a bottoming out of adverse business conditions in the distributive trades sector. He predicted difficult conditions for many retailers for 18 months.

The survey found that retailers and wholesalers are less optimistic about business in the next three months than at any time since the survey was started in 1983 despite expectations of some recovery in sales this month.

Slower dsmand growth is combining with increased costs for wages and rents to squeeze profit margins. Some retailers are suffering because increased floor space ordered during the period of strong consumer demand is now coming on stream at a time of slower demand growth.

TUC backs Labour defence stand

THE opposition Labour Party leadership's attempt to switch from a unilateralist to a multilateralist nuclear disarmament policy received further encouragement yesterday when Trades Union Congress in Blackpool passed a motion in line with the change.

The motion, which supported involvement in multilateral and bilateral peace initiatives, was passed by 4.84m to 2.79m votes against opposition from both left-and right-wing unions.

Despite the opposition led by the Amalgamated Engineering Union and the Transport and General Workers' Union, the vote confirms the likelihood of a revised defence policy being epproved at the Labour conference next month.

The composite motion calling for the Government to "implement unilateral initiatives as speedily as possible" was proposed by the general technical union and National Communications Union.

Both are committed to unilateral nnclear disarmament, and Mr Doug Hoyle, MSF president, later said the union would be voting for a stricter form of unilateralism at the Labour conference.

● THE health union Cohse has started talks with the pnblic services unions Nupe and Nalgo on a merger that would create the biggest British union. The talks are expected to take several years.

Electricity industry outlines trading plan

By Maurice Samuelson

THE TWO SIDES of the electricity indnstry have finally agreed on a system of trading which, they say, will remove the growing threat to the Government's privatisation timetable.

They want to replace the idea of a pure spot market in electricity, which they regard as hopelessly unworkable, with a blend of short term trading and long term contracts which will also allow new competitors to enter the market.

The four-page document, delivered to Mr John Wakeham, Energy Secretary, also proposes a compromise on how mnch of the large industrial market could be snpplied directly by the generating companies rather than the successors of the area boards which supply it at present.

The deadlock on this issue has been the principal cause of the probable slippage in the privatisation timetable.

The proposals come from the 12 area distribution companies of England and Wales and National Power and PowerGen, which will take over the power stations of the Central Electricity Generating Board.

Inquiry examines 'serious misconduct' at Homes Assured

By Richard Waters

THE Department of Trade and Industry is investigating whether there was "serious misconduct" at Homes Assured, a company which at one time had as clients 20,000 council house tenants seeking to buy their homes.

Homes Assured, whose non-executive directors included Sir Edward du Cann, chairman of Lonrho and a former Conservative Party minister, went into liquidation at the end of last week with debts estimated at £6m. Many of the company's clients lost money through their involvement with the company, and only 1,500 have completed their house purchases so far.

The DTI investigation is under section 447 of the Companies Act, which gives it powers to look into suspected cases of "serious misconduct," including fraud.

The Department said that it never confirms section 447 investigations, of which it conducts around 100 a year, to protect the companies concerned.

Avon and Somerset police, however, said yesterday that the case had been referred to the DTI, and it was independently confirmed that government inspectors are looking into the company.

The investigation is thought to stem from a police enquiry into Homes Assured's Midlands subsidiary early this year. This uncovered a number of allegations of misconduct, including:

● Homes Assured salesmen encouraged council tenants to buy their own homes even though they could not afford to. To do this, salesmen gave the tenants estimates of the value of their properties which were deliberately pitched low. These estimates were produced by impressive hand-held computers, which were programmed to produce a valuation. The valuations encouraged tenants to apply to buy their homes – and to take out an endowment policy, which earned the salesmen commissions.

● When it became clear that a property would cost more than a tenant had expected, a second salesman would appear to sell a top-up policy. This often included the sale of a mortgage protection policy – even though there was no mortgage to protect at the time.

● Tenants were encouraged to apply for home improvement loans, from which Homes Assured took a commission. Some tenants were offered loans which were then presented to building societies as home improvement loans, when in fact they were being used for other purposes. These were known as "hardwood door" loans, an allusion to the fact that many were presented to building societies as loans to buy new front doors.

According to one of those involved in an investigation of the company, a number of insurance companies and building societies were the main victims.

Mr Christopher Morris, the provisional liquidator, said he was embarked on an investigation which may result in the directors being made liable for part of the company's debts.

Greens debate role after Euro election success

By John Hunt

MOVES to commit the Green Party to policies that are "anti-capitalist" and opposed to uncontrolled economic growth will be made at the party's annual conference to be held later this month.

Members will also discuss a motion proposing a birth control campaign aimed at reducing the population of Britain to between 30 and 40m from the present level of 56.9m. Under a voluntary system Britain would work with other governments to establish regional levels of sustainable population.

Attempts will also be made to streamline the party's organisation. But a move to have one national leader instead of the present system of six party "speakers" has been sidetracked and is unlikely to be debated.

The main debate will be about the philosophy of the party following its unexpected success in the European elections when it came ahead of the Social and Liberal Democrats and the SDP.

Leading figures in the party have put down a motion emphasising that the greens present a "new and radically different" alternative to conservatism, socialism, liberalism and anarchism. It says that this "unique role" should be stressed in all publicity material.

The intention of the motion is to refute the Conservative Party campaign to depict the Greens as dominated by left-wingers.

Directors risk jail threat over computer piracy

By Alan Cane

UK company directors can now be sent to jail if they allow illegally copied or "pirated" computer software to be used or distributed in their organisations.

Microsoft, Lotus and Ashton Tate, the world's three largest personal computer software companies, have joined forces to warn British managers of the new risks they are running.

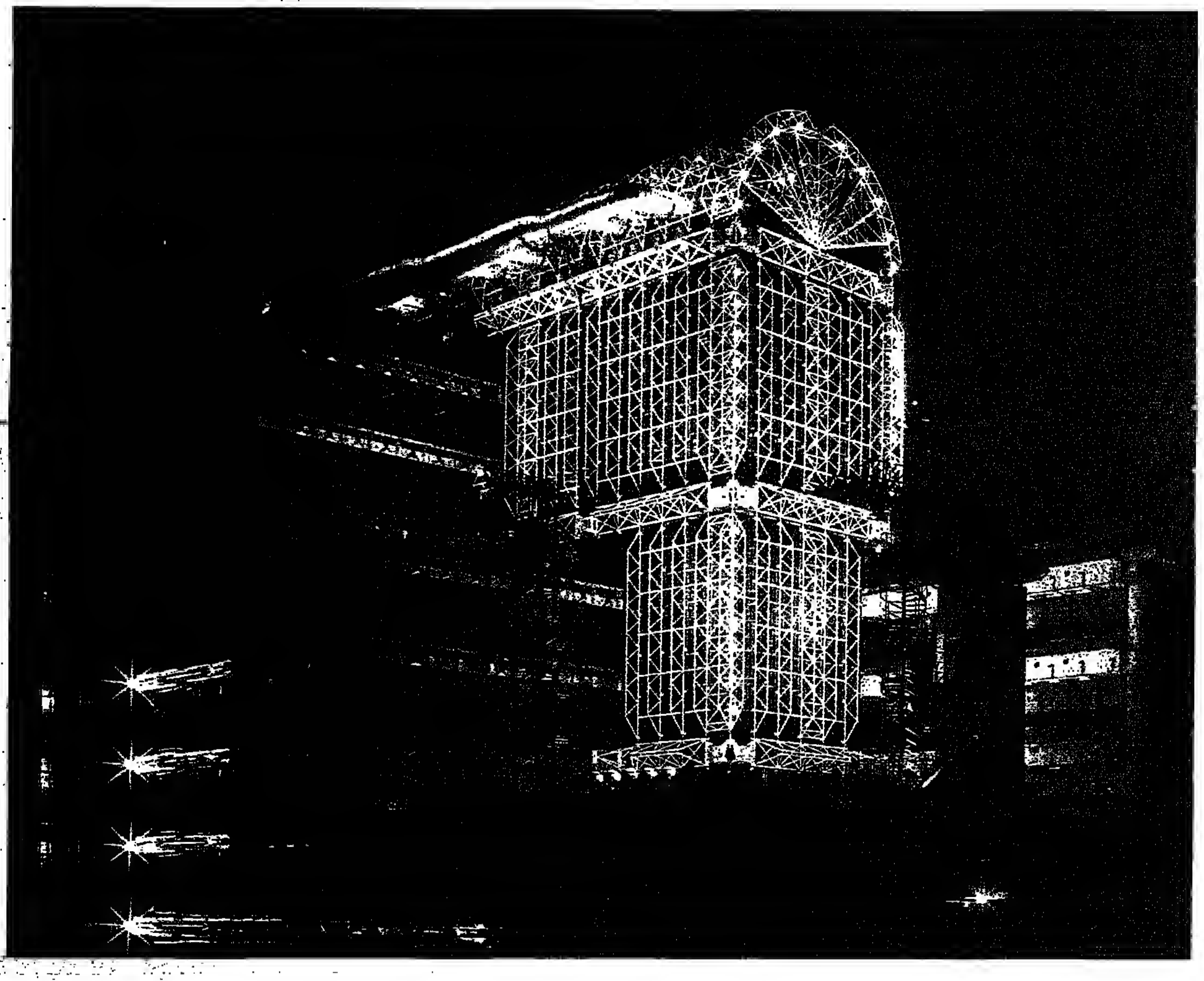
Next week they are launching a press campaign to warn company directors that they could be jailed for up to two years if they knowingly allow distribution of illegal software in their organisations.

The new penalty is a consequence of the Copyright, Designs and Patents Act which came into force on August 1 this year.

Pirated software is thought to have cost the fledgling UK personal computer software industry £150m in lost licence fees in 1988.

Mr Bob Hay, operations director of Federation Against Software Theft, said it was not criminals who represented the greatest threat to the software industry but individuals in large companies who were not aware they were breaking the law by copying software and passing it to their friends and colleagues.

He said most responsible software houses had removed anti-copying devices from their software in response to pressure from their customers who had a legitimate need to create "back-up" copies.



MANAGEMENT

The offices of Hugo Boss near Stuttgart are everything one would expect from the model of a modern clothing company. The walls are white. The desks are black. The only splash of colour comes from the abstract expressionist oil paintings on the walls.

The only incongruous touch is the picture of a factory leaning against one of the office walls. The factory is owned by Joseph & Feiss at Columbus, Ohio, in the US. It is one of the enormous industrial edifices erected many years ago to accommodate thousands of workers and an elaborate production process.

The contrast between the two companies could scarcely be more marked. Boss is one of the new generation of West German clothing companies that have used sharp design and a sophisticated system of subcontracting to make their mark on the international marketplace. Joseph is typical of the old guard of North American manufacturers that make all their products in-house and rarely sell outside the US.

Earlier this year Hugo Boss bought Joseph & Feiss as a base in the US. It is now starting to reorganise the factory to match its own standards of quality and efficiency in men's wear production.

Clothing is not a sophisticated industry. In recent years certain parts of the production process, such as cutting cloth, have been automated, but it is still largely labour-intensive. The most important part of the process – garment assembly, or stitching, – is still executed by people poring over sewing machines.

The labour-intensive nature of the clothing industry means that companies in emerging economies, with low labour costs, almost always have a competitive advantage over established manufacturers in the developed world.

As a result, the chief challenge for the established manufacturers has been to battle to become competitive against the emerging companies in the Far East. The successful clothing companies have been those that have either found a way of differentiating their products from those of their low cost competitors – through design or quality – or that have organised production so efficiently that they have eroded the cost advantage of the Far East. The most successful companies have heen those thet have achieved both.

Hugo Boss, like its fellow

Clothing manufacture

A structure suited to quality

Alice Rawsthorn explains Hugo Boss's strategic use of subcontracting to maintain standards and flexibility

The story of Hugo Boss begins in the early 1920s when the eponymous founder started a small workwear factory in the tiny town of Metzingen, near Stuttgart in West Germany.

During the Second World War the factory switched production to make military uniforms. In the post-war years it used its new-found tailoring techniques to make men's suits. But it was only in the late 1960s – when Jochen and Uwe Holy, grandsons of the founder, joined the family business – that the company started to concentrate on suits rather than workwear. The Holy brothers realised there was a market for the sort of sharply styled suits they wanted to wear themselves. Initially they concentrated on selling within West Germany, but in the early 1970s they started to export to other countries. Boss expanded rapidly; by 1980 its sales surpassed DM100m (£33m). It then began to diversify into other products. Men's suits still form the bulk, but the brand now includes sportswear, shoes and aftershave.

By the time it went public in 1985, Boss could claim sales of DM300m. Last year it made net profits of DM33m on turnover of DM596m.

Boss now sells in North America and the Far East, as well as across Europe. It has established joint manufacturing ventures in Brazil and Australia and a distribution company in France. In January it strengthened its position in the US by buying Joseph & Feiss.

West German clothing companies Steilmann, Jil Sander and Escada, realised long ago that the high cost of West German labour left it with no hope of competing on cost against the emerging producers.

The West Germans in general have overcome the "differentiation" problem by concentrating on the upper-to-middle market for contemporary classic clothing. The Boss solution is to introduce sharply styled suits, in Italian fabrics, which are less extreme in design and less expensive than those of other designers such as Giorgio Armani.

But the West Germans have also developed highly efficient systems of production. Given that so large a part of clothing production is in the labour-intensive area of stitching – and there is little scope for automation in this area – the most efficient companies concentrate investment in all the other areas of production to ensure that their machinists' time is used effectively.

Boss has been automating the production process at its main factory in Metzingen, near Stuttgart, since the 1970s. This year it completed a programme of fully automating its systems for storing raw materials and shipping the garments.

It has also introduced computer-aided design and pattern planning to speed up the process of designing garments and preparing for production. Boss is now installing a computerised cloth-cutting system to ensure that the cloth is cut as accurately as possible, thereby minimising waste.

Boss, like most of the other large West German clothing companies, has also developed a system of subcontracting production to other manufacturers. Usually, subcontracting involves one company commissionlng production from another; the advantage to the company is that it can increase output without incurring extra overheads. The disadvantage is that it runs the risk of losing control over the quality of its merchandise. Boss has developed a rigorous system of quality management to overcome this problem.

Its subcontracting system is co-ordinated from Metzingen. As well as the factory there, Boss owns a smaller plant a few kilometres away and some plants around Wurzburg in central Germany. The rest of its merchandise is sourced from subcontractors in Germany, Italy, Greece and Mauritius.

The subcontractors are chosen because of their expertise in different areas of clothing production. Some specialise in making formal wear, like tuxedos. Others make less structured linen snits, sports clothes or knitwear.

Boss has a team of about 15 people at Metzingen who are employed solely to decide which subcontractors should be used, according to their different skills and manufacturing capacity. They also assess the logistics of sending merchandise from one country to another. There are restrictions, for example, on importing into the US from some of these countries.

All the preparation for the collections – from design to the ordering of raw materials – is executed at Metzingen. Fabrics and trimmings, such as buttons and labels, are ordered centrally. When they arrive at Metzingen they are checked to ensure that the quality and quantity is correct. They are then dispatched, together with the patterns, to the relevant subcontractors.

Boss employs a team of more than 20 quality managers who travel around the world to ensure that the subcontractors are meeting its quality standards. The company often sends a quality manager to work on a permanent basis at the larger subcontractors, while smaller suppliers will receive regular visits.

The quality managers check everything from the positioning of buttons to whether the finished garments are pressed properly. They also make sure that the subcontractors' machinery is maintained properly.

When the garments are completed, they are sent back to Metzingen where the quality controllers check them – all over again – to ensure that they meet Boss standards. The garments are then dispatched to retailers by the automated shipping system.

The subcontracting system has been structured to ensure that the quality of a Hugo Boss garment will be exactly the same no matter where it was made. It also enables Boss to be more flexible in the composition of its collections. As men's wear styles change – from loose linen suits one season, to a more stylised look for the next – Boss simply switches its subcontractors to accommodate the new trend.

By subcontracting Boss has boosted its output without incurring hefty investment costs and straining cashflow. This has helped enormously in enabling it to build up the export sales business that provided 40 per cent of its DM596m (£195m) turnover in 1988 and should provide more than half its sales this year.

Initially Boss concentrated its export activities on the rest of Europe. But in recent years the North American market has become increasingly important. It started to sell to the US, through an agent, in 1977 and set up a distribution company in New York, headed by Barry Wishnow in 1986.

Hugo Boss sales in the US have since risen rapidly thanks, in part, to its use of product placement in TV series such as Miami Vice and LA Law. This year the US is expected to overtake France as its biggest export market.

But Boss had become concerned about the long-term security of its US sales. The fluctuation of the dollar against the deutschmark on the foreign exchange markets was disrupting the profitability of its US sales.

Similarly the cost of shipping merchandise to the US from Europe, combined with import duties, meant that the eventual prices of some standard products – such as shirts and T-shirts – were too high in the US.

Boss was also concerned that the tide of protectionist sentiment in the US – where the textile industry has staged several, so far unsuccessful, lobbies for import restraints – could restrict imports of European clothing in the future.

So the company decided that it needed a manufacturing base in the US. In January it acquired 75 per cent of Joseph & Feiss, one of the oldest established US men's wear manufacturers with labels such as Cricketeer and Baracuta. Wishnow, the head of its US distribution business, bought the remaining 25 per cent.

Whereas Boss is structured as a flexible manufacturing and sourcing business, Joseph handles all its own manufacturing. The contrast between the two companies is illustrated by the fact that Boss, with its subcontracting system, made sales of £195m with a workforce of 1,300 last year, while Joseph made £100m with a workforce of 2,000.

Boss is determined not to impose its own structure and systems on Joseph. "We bought the business because we have to think more internationally and to have access to American know-how," says Jochen Holy, a grandson of the founder who now runs the company with his brother Uwe. "Changes will be made but we will move slowly."

Holy hopes that the Joseph management team will learn lessons from Boss, but will choose what to implement rather than being told to do so by West Germany. Teams from Ohio have already visited the Metzingen plant and Boss has sent its own West German employees to Joseph. Joseph will retain responsibility for its fabric buying, but the Boss team will put it in touch with its suppliers in Italy.

Barry Wishnow has become president of the US subsidiary. The Holy brothers go to the US every month for board meetings.

The first new initiative for Joseph will be a new collection of Hugo Boss business suits, designed for the US market, which will be introduced this autumn. The new collection will not only be devised to appeal to American taste but, by being manufactured in the US, the suits will retail for around $550 to $600 each, rather than $700 if shipped from Europe.

The first collection will be produced at Joseph's existing plant. If it is not successful, Boss may consider opening a new unit to its own specifications at Columbus. "We will see how it goes," says Jochen Holy. "Maybe we will have to change things in the future, but the decisions must be made in the US. We are not going to force change on them."

Hugo Boss has introduced computer-aided design and pattern planning

Business courses

Company-wide quality improvement, Berkshire. October 16-18. Fee: £605 + VAT. Details from The Conference Manager, David Hutchings Associates, 13/14 Hermitage Parade, High Street, Ascot, Berkshire SL5 7HE. Tel: 0990 28712. Fax: 0990 25968.

Human resources and the future of work, London. October 18-19. Fee: £550 + VAT. Details from Intro UK, 78 Bell Street, Henley-on-Thames, Oxfordshire, RG9 2BN. Tel: 0491 410 222. Fax: 0491 410 266.

Technical writing, London. November 23-24. Fee: £545 + VAT. Details from The Information Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546. Fax: 871 3866.

Management skills for women, London. November 13-14. Fee: £545 + VAT. Details from Monadnock International, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546. Fax: 871 3866.

The marketing superstars, London. November 27 and 28. Fee: £592.25. Details from Nicholas van Zanten, Meet The Press, 91 Regent Street, London W1R 7TB. Tel: 01-437 6124.

The new Companies Act 1989 conference, London. November 8. Fee: £206 (£215 after September 20). Details from Tolley Publishing Co, Conference Department, Freepost, Tolley House, 2 Addiscombe Road, Croydon, Surrey CR9 9EA. Tel: 01-680 5682. Fax: 01-686 3155.

Optimising growth in industrial markets, Manchester. November 23. Fee: £245 + VAT. Details from Marketing Improvements Learning Limited, FREEPOST, 17 Ulster Terrace, Outer Circle, Regents Park, London NW1.

Manufacturing strategy and success, London. November 10. Fee: £276; individual/associate members £218.50; corporate members £189.75. Details from The Strategic Planning Society, 17 Portland Place, London W1N 3AF. Tel: 01-636 7737.

Keeping the tax man at bay, London. October 18. Fee: £276. Details from The Overseas Taxation Company, 14 West Smithfield, London EC1A 9HY. Tel: 01-248 1212, ext 4414.

TECHNOLOGY

As Britain's roads become more congested by the day, FT writers assess the problem of developing an efficient infrastructure

Towards a smoother ride through the bottleneck

Britain's roads are grinding to a halt. After years of inaction and underspending, even the British Government now accepts that radical solntions are needed.

But what can be done? The Confederation of British Industry estimates that congestion is costing UK companies £15bn a year. Backed by the British Roads Federation, it has demanded a huge road building programme.

The Government has responded to growing concern hy doubling the roads construction programme to £12bn and announcing public transport projects for London worth £4.5bn.

Will this belp? The Institution of Civil Engineers (ICE) says the infrastructure is so antiquated that rising demand will continne to outstrip any increases in capacity.

Attempts to solve congestion by increasing capacity tend to hit two problems. The first is that demand often rises more quickly than new capacity can be provided, partly becanse of long lead times for transport projects.

The second is that transport infrastructure projects provoke widespread public resistance. For example, tentetive Government proposals for new roads in four London choke spots have proved deeply unpopular with local residents.

There are alternatives. One is to reduce demand by increasing taxation on vehicles and fuel. More radically, governments could restrict access to congested areas by setting charges covering either defined areas or specific rontes. This approach has already been tried in Hong Kong, using entomatic vehicle identification technology.

The Hong Kong system used indnctive loops buried under tha surface of roads in the centre of the colony. These particular loops identified "electronic number plates" welded on to vehicles, and transmitted details of the cars' movements to a central computer.

The technology worked, but the system was dropped because of public opposition, largely on civil liberties grounds because individual movements could be identified.

A more politically acceptable way of attacking congestion is to squeeze more capacity out of the existing infrastructure. This can be done through traffic management systems (TMS), which adapt traffic signals to prevailing conditions, and by increasing the flow of information to drivers, enabling them to avoid trouble spots.

TMS systems are operated in several big cities in Europe and North America. They help to optimise the flow of traffic hy feeding information gathered through inductive loops to traffic light systems.

The most interesting development, however, is in information systems, especially those which offer detailed route guidance.

Research on these systems has been going on for a decade in several countries, notably Japan, the US, West Germany and the UK. The fastest progress has been made in West Germany, where an experimental system is operating in Berlin (see accompanying article), and the UK, where the General Electric Company has been awarded a licence to operate a pilot system in central London.

Both systems work in the same way: the driver enters his destination on a keypad, probably using postcodes, and visual and spoken route guidance directions are given at junctions.

The navigating is done by an in-car computer which receives information on traffic conditions through infra-red signals from roadside beacons, usually mounted on traffic lights. The big development is that the system is dynamic – the in-car computer feeds a central computer with information on how long it takes to pass between beacons, and the central computer passes on the information to all in-car units, which navigate accordingly.

The award of the UK licence to GEC was paradoxical, since the British system, known as Autoguide, relies partly on technology developed by Siemens in West Germany. Siemens had backed a rival consortium led by Plessey, which may be awarded a second licence for e further pilot scheme outside London.

GEC says it followed the technological lead set by Siemens to help develop a single world standard for ronte guidance systems, which will help to maximise sales potential. An Anglo/French/West German working party is drawing up detailed specifications.

Initially, the London system will be programmed with historical data on traffic conditions, and will rely on dedicated vehicles driving around the capital to provide the central computer with up-to-date information. But GEC says that the dynamic element grows rapidly as the number of users increases, and optimum capability is achieved when two-thirds of vehicles are fitted with in-car computers.

Mike Chandler, managing director of GEC's Autoguide and Traffic Automation subsidiaries, says the system will squeeze around 10 per cent extra capacity out of existing roads when it is fully operational in 1992.

But route guidance systems present governments with a number of tricky political problems. In the UK, Autoguide is being licensed as a purely commercial venture. Users will pay around £250 for the in-car unit, plus an annual subscription of £60 to £70 for a smart card to validate the equipment.

The private sector nature of the licence means that Autoguide will have to operate as a discrete system, unconnected with any other traffic management arrangements adopted by the Government or local authorities.

The technology, though, is capable of being adapted for several other purposes. It could be used to operate a road pricing system, in which bills would be paid by deductions from the value of the smart card. This would present some policing problems, but would avoid the civil liberties problems which crippled the Hong Kong experiment. The system could also be linked to traffic management systems by using the information transmitted by in-car units to optimise traffic light sequences.

Yet neither of these applications is politically feasible unless the system is operated by a public authority which can combine the functions of route guidance, road pricing and traffic management.

Kevin Brown

Beating the traffic by remote control

Jürg Sparmann picks up a small remote control device, taps a few keys and up comes our destination on a small screeo fixed above the dashboard of e Volkswagen minibus.

We are at West Berlin's Tegel airport and our goal is tbe Congress Hall, 6.6 km away. As we pass a set of traffic lights, tbe single black arrow on the screen becomes three arrows, pointing left, right and straight ahead. Some 60 metres later, only the one pointing to the right remains. "Recbte Fahrspur" (right lane), says an assertive voice.

In the small rectangle next to the arrow, several horizontal bars appear to help with the next manoeuvre. The picture then cbanges to a circle of small arrows and a new instruction sounds: "Kreisverkehr, vierte Ausfahrt" (roundabout, fourth exit). After the roundabout, the arrows revert to their neutral three-headed positioo and the rectangle, in which the bars have gradually disappeared, is empty.

We are in the hands of the Berlin Route Guidance and Information System, or LISB (Leit- und Informations-System Berlin), which works by the transmission of infra-red signals through beacons attached to 230 of the city's 1,200 traffic lights. Co-ordinating it is a central computer. "You never get lost. That's the beauty of the system," says Sparmann, managing director of SNV, a public transport research and consultancy group. SNV, independent and non-profit making, has links witb federal, state and local anthorities, as well as with industry.

SNV provides the scientific back-up for LISB, which began in July this year. Half of the cost of the DM 20m (£6.5m) one-year project is being met hy Siemens and Bosch, the West German electronics companies, and half by the Federal Research Ministry and the city of West Berlin. Siemens has the leading industrial role, having developed the concept and the software, while Bosch provides the in-car screen display. The system is designed to cover West Berlin's 480 sq km. Taking part are 700 vehicles; altogether the city has 750,000.

"You have to follow the system and trust it," says Sparmann. "Sometimes, if you know your way, you hesitate to follow the directions. But the system is usually right."

Nearing our destination, we pass the old Reichstag (Parliament) building, not far from the Berlin Wall. We turn right, as the arrow indicates, and come to the post-war Congress Hall. The disembodied voice tells us we have arrived: "Zielgebiet erreicht" (target area reached). If the voice proves too tiresome, it can be switched off. A gong-like noise sounds whenever a visual instruction is given.

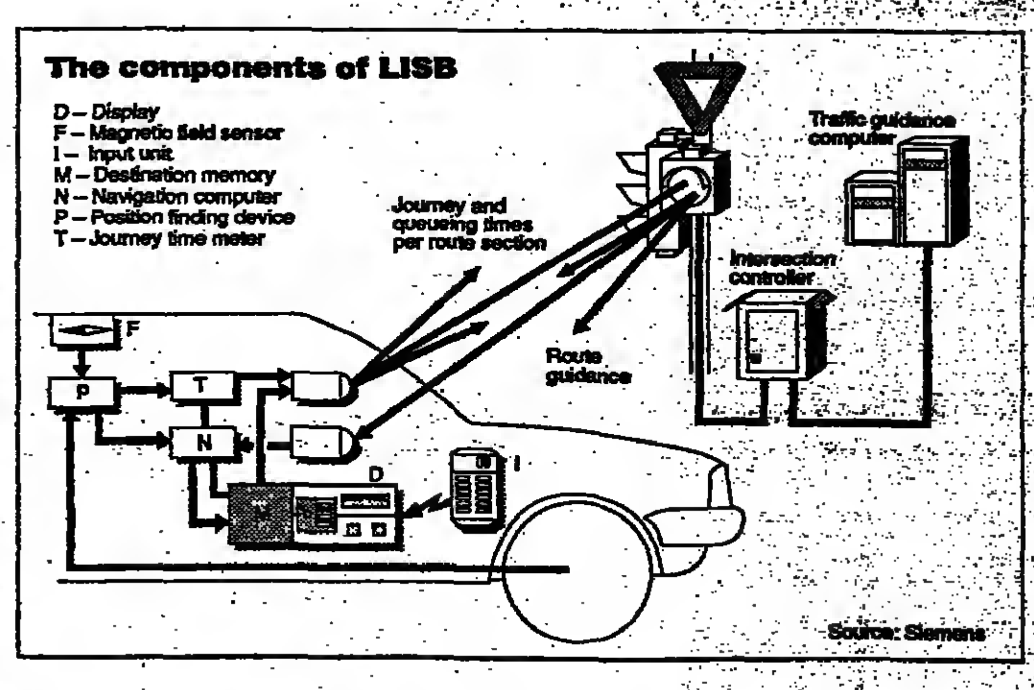
Sparmann hopes that the scheme will oot only be made permanent in West Berlin, hut also taken up elsewbere in West Germany. With so many vehicles on the roads – West Berlin could have 1m by the year 2000 – interest is increasing in systems like LISB. West Germany already has around 30m cars for a population of 61m. Congestion, safety, pollutioo and eoergy-saving are issues that loom for planners, politicians, the motor industry and the puhlic.

In sucb e car-conscious country as West Germany, these matters are avidly discussed. But West German roads are also subjected to heavy cross-border traffic. Simply expanding the road network to accommodate the extra load would not solve the prohlem. Romuald von Tomkewitsch, the Siemens manager responsihle for LISB, says using radio, car telephooes or direct satellite broadcasting to link cars and computers in a guidance system would be too complex and costly. The advantage of tha traffic light network is that the laying of new cables would be virtually unnecessary, keeping costs to a minimum.

Why infra-red signals rather than induction loops or microwaves? Von Tomkewitsch says they are less affected by fog, snow or rain; a large amount of data (40 kilobytes in less than a second) can be sent; the transmitters and receivers are cheap to make and easy to install; and the rays can be simply focused with lenses.

The aim is to come up with a system that can be installed in a car for less than DM 1,000, with the screen set into the dashboard. At present, it takes a day to retro-fit the guidance device in a car at a cost of around DM 5,000.

Information about the state of traffic comes from the cars involved in LISB; these include taxis, commercial vehicles and rental cars, as well as private ones; to provide a more complete evaluation. Each car's navigation computer has a capacity of 64 kilobytes, which will ultimately be doubled.



Once LISB is fully under way, the vehicles will measure and report both travel times and waiting times at lights. The timing of traffic light changes will be continually adapted to optimise the flow, to the advantage of all drivers. This so-called dynamic phase, in which traffic information will be updated with as many as 1m routes being recomputed every five minutes, will start later this eutumn.

To apply LISB over the whole country, some 15,000 heacons would hava to be installed. At this stage, however, even the West Berlin project's future is not wholly assured. It was approved under the Christian Democrat city government which was voted out in February. The new red-green coalition of Social Democrats and Greens needs to be convinced of the scheme's worth, with radical ecologists contending that it makes driving too pleasant.

Sparmann has a few arguments up his sleeve, though. The LISB computer's information about the state of West Berlin's main roads – it does not cover small, residential ones – could be used not only to help traffic flows, but also to give buses priority over cars when necessary. Drivers could also be induced to park their cars and use suburban railways. Dangerous goods could be sent on routes that avoided bridges, tunnels and built-up areas, while road haulage efficiency could be improved by indicating the best routes for goods distribution.

With roughly one per 1,000 of West Berlin's vehicles fitted out with LISB equipment, von Tomkewitsch and Sparmann reckon adequate initial results can be obtained. For constantly updated traffic information, a higher proportion will be needed. The Siemens manager hopes that between 25 and 50 per cent of vehicles in West Germany will be equipped with infrastructure-related guidance devices within the next 10 years.

Fitting the whole country with LISB-type systems would cost up to DM 500m, von Tomkewitsch estimates. Since around DM 50bn is spent each year in West Germany on road fuel, a saving of only 1 per cent of this through more efficient driving and smoother traffic flows would match the cost of a country-wide system. Other savings would be on accident and pollution costs.

Systems such as Autoguide and LISB are not a panacea for the world's traffic ills. "You can't expect miracles," says von Tomkewitsch. But they can form an effective part of an overall traffic strategy.

Andrew Fisher

Paul Cheeseright on two contrasting business approaches

Joint ventures a key to asset growth

BRIAN CRAIG this week finally laid down the reins of control at Brookmount, now absorbed into Ford Sellar Morris Properties after an agreed £84m bid. It has been a fast and jolting ride since the plan for the company was hatched on the *Monte Carlo promenade* over six years ago.

The factors behind its growth from nothing but some seed capital are illustrative of what can be done in a rising market. Whether the same thing can be done in the late 1980s and early 1990s in different property and stock market conditions is not clear. Mr Craig believes it can be because the property market always is full of individual opportunities. But the stock market might be less kind.

Brookmount floated on the USM in January 1986 at 160p, hit 795p in June 1987 at a time when the market valued earnings above assets, had a rights issue at 650p, slumped to 355p after the October 1987 crash and was eventually taken out at 600p. But, by the time of the sale, Brookmount had accumulated net assets of £89m.

Looking back, it is evident that the use of the joint venture and the scope it gave to keep borrowings off the balance sheet were the triggers for asset growth and for doubling profits every year.

Joint ventures with Trafalgar House, both the parent and the Trollope & Colls subsidiary, and with Blue Circle, let Brookmount secure large properties which would otherwise have been outside its scope. And the minority interest in large properties, each separately financed, provided a profit flow.

The bigger partner gave protection so thet, as Mr Craig put it, the upside was greater than the downside and "the downside was always postponed by putting the financing off the balance sheet." Further, joint ventures "removed the holding costs."

Bnt there was more to it than that. "The tie up with Trafalgar and Blue Circle gave us a status we wouldn't have had otherwise. It put us into contact with other companies," said Mr Craig.

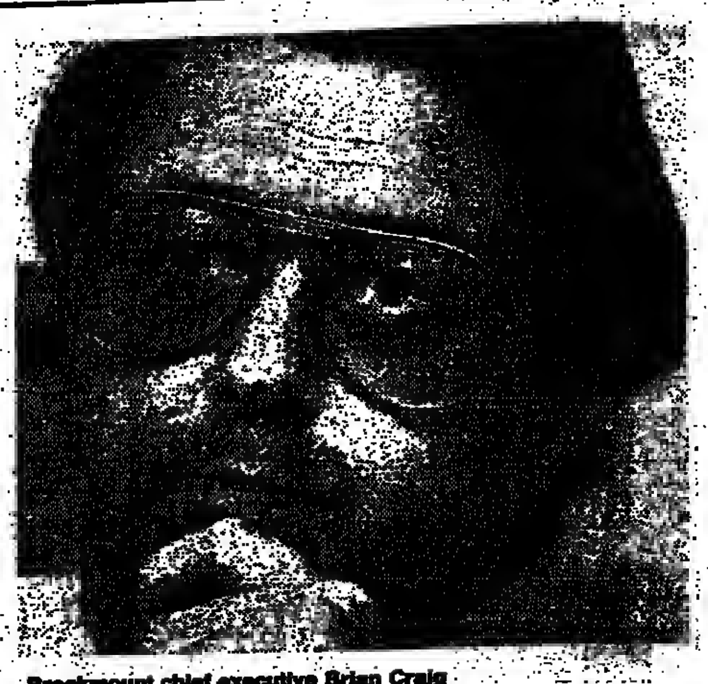
Certainly, until October 1987, the market devoured news of deals and developments. Any excuse seemed good enough to mark up share prices. "We saw the share price go up 20p when we made an announcement about Blue Circle," noted Mr Craig.

But the very factors which speeded growth complicated the disposal of the company. The march towards disposal started last year when Mr Craig's two other founder directors, Jack Wilton and Harry Sproule, both Northern Irish businessmen, decided they wanted to sell their stakes. To realise the value of their investment it became necessary to sell the whole company.

But the joint ventures made this a complicated task. Any potential buyer would want to examine in detail the likely benefits and liabilities – as Arlington Securities found when it was in negotiation with British Aerospace. And the matter was made more complex by Brookmount's ownership of Wright Oliphant, chartered surveyors – an interest that likely buyers thought sat oddly with the rest of the group.

Indeed, the deal with Ford Sellar Morris was unlocked by two moves. First was Trafalgar House's willingness to buy out the minority Brookmount stake in Trafalgar Brookmount, the vehicle for the joint venture. Second was the willingness of Mr Wilton and Mr Sproule to look after the Northern Ireland property of Brookmount in a joint venture with Ford Sellar Morris.

For property developers, this is the age of the agreed takeover. "There is a lot of money available for corporate transactions," observed Mr Craig. That suited the early shareholders of Brookmount, but not those who bought the rights.



Brookmount chief executive Brian Craig

Spotting the site that suits Beachmount's style

Beachmount is the opposite of Brookmount. It is going for steady growth based on the funds it generates itself. It is not interested in a market quotation: the directors want to keep control and are prepared to do without the infusion of outside cash.

Founded in 1979 by Stephen Minion, a former Wimpey structural engineer, the company entered into the property development market through housing. With a mixture of luck and judgment it left the residential market at its peak.

It concentrates now on relatively small industrial and office units in the western corridor – Marlborough, Bristol, Yate, Eynsham. It has ventures in France and Spain. It wants diversity.

"We are tiny, tiny now – but we have our foot on the ladder," said Mr Minion in his headquarters at Langley, Berkshire. Turnover this year will be around £10m and pre-tax profits about £750,000 with a substantial increase next year as more developments come on stream.

Its growth owes more to spotting the right site and putting the suitable development on it than it does to financial wizardry. "If we go out and buy something, we're buying it with our own money. We need the right kind of return, there's no second shot," said Mr Minion.

That return is a minimum 20 per cent based on today's prices and, he added, "I won't touch anything under that." His elimination of the downside risk comes from leaving the minimum to chance. "I've never bought anything on the prospects of growth and I'm not about to start."

The prospects of rental growth on the scale which has taken place over the last couple of years are in any case remote. While there are enough people around to fill new space, Mr Minion feels a wind of change.

This is apparent in the attitude of the banks which were throwing money around for three years and until six months ago were ringing him up regularly offering him finance. That has all stopped and lending policies are both more cautious and more erratic.

Beachmount has dealt consistently with three banks – two of which, a clearer and a merchant Mr Minion will not name, evidently change their lending rules almost by the week. This is not a matter of the amount they will lend, expressed as a percentage of the land and construction cost, but of the charges they want to tack on to the loan. The third bank is Lloyds, which, he said, has been consistent in its approach.

The company will continue as a property developer but is looking increasingly at projects which give cashflow from their end-use. Thus it has a nursing home on the stocks and will retain a stake in the operating company when the building is completed. A similar technique will be followed with sports centres and country clubs. Property is a base for other activities.

Capital Growth (%)

	Retail	Office	Industrial	All Property
Year to July 89	10.6	24.6	29.2	18.6
Quarter to July 89	1.9	5.3	6.9	4.0
Month of July 89	0.3	1.4	1.8	1.0

Source: Investment Property Databank

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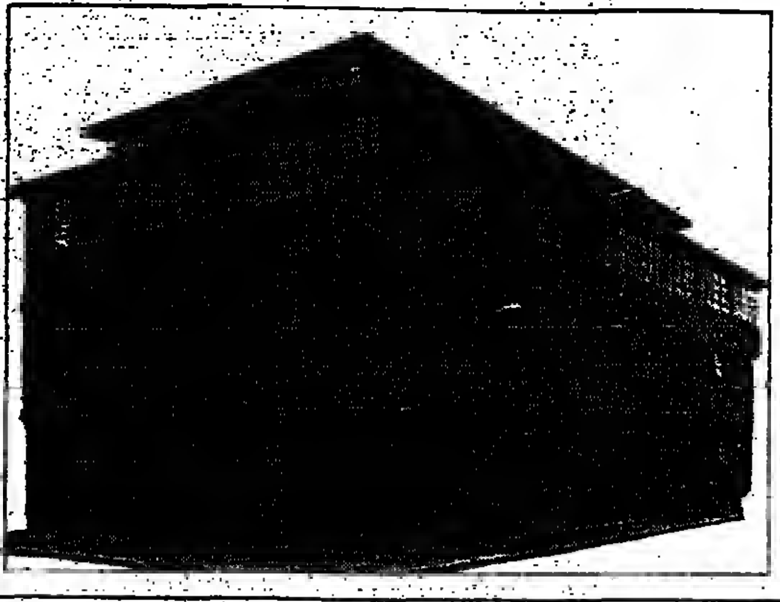

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COMPANY NOTICES

ANGLOVAAL GROUP

CLOSING OF TRANSFER BOOKS AND REGISTERS OF MEMBERS

The transfer books and registers of members of the following companies (all of which are incorporated in the Republic of South Africa) will be closed for the period stated for the purpose of determining those persons entitled to attend the Annual General Meeting of members thereof.

Name of company		Period of Closing of Transfer Books and Registers of Members (both days inclusive) 1989
Anglovaal Limited	Reg No 05/04580/06	2 - 10 November
Consolidated Murchison Limited	Reg No 05/05478/06	5 - 11 October
Eastern Transvaal Consolidated Mines Limited	Reg No 01/08442/06	5 - 11 October
Hartebeestfontein Gold Mining Company Limited	Reg No 05/20826/06	5 - 11 October
Middle Witwatersrand (Western Areas) Limited	Reg No 05/04469/06	21 - 27 October
Zandpan Gold Mining Company Limited	Reg No 55/00414/06	5 - 11 October

By Order of the Boards
ANGLO-TRANSVAAL TRUSTEES LIMITED
London Secretaries
per D J. Adams

London Secretaries
295 Regent Street
London, W1R 8ST

8 September 1989

By order of the Joint Receivers R.H. OLDFIELD & C.T.E. HAYWARD

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Peat Marwick McLintock has been retained to act for the vendors in the proposed sale of the above company and certain related assets including:—

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Enquiries in respect of the sale are invited from principals and agents for named clients only and should be made in the first instance to S. Whitton or H. Williams at Healey & Baker, who are the company's property advisers.

Healey & Baker
01-629 9292

The contents of this statement have been approved for the purposes of Section 57 of the Financial Services Act by Peat Marwick McLintock which is authorised by the Institute of Chartered Accountants in England & Wales to carry on investment business.

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LLL INTERNATIONAL INSURANCE INVESTORS N.V.

NOTICE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS to be held on September 29, 1989

To the shareholders of LLL International Insurance Investors N.V.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of LLL International Insurance Investors N.V. (the "Company") will be held at De Ruyterkade 62, Willemstad, Curacao, Netherlands Antilles, on September 29, 1989 at 11:00 a.m. Netherlands Antilles time for considering the following Agenda:

1) Consideration of the Report of the Managing Board;
2) Consideration and approval of the profit and loss account for the financial year from January 1, 1988 to December 31, 1988 and balance sheet as at December 31, 1988;
3) The re-election of one class B Managing Director;
4) The appointment of a person to the office envisaged by Article B (8) of the Articles of Incorporation;
5) The appointment of an independent chartered accountant for the audit of the financial statements for the year ending December 31, 1989;
6) The transaction of such other business as may properly come before the Meeting.

Holders of bearer shares, in order to exercise their rights at the Meeting, must establish their ownership of such shares in a manner satisfactory to the Chairman of the Meeting. Nevertheless, they may establish such ownership by depositing such shares (or a Certificate of Deposit of such shares satisfactory to the Managing Board) at the offices of J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS, England, against written receipt, not later than five days prior to the date of the Meeting and presenting this receipt at the Meeting. Shareholders may be represented at the Meeting by written proxy empowered in a letter. The 1988 audited financial statements are available for inspection at the Company's Registered Office, De Ruyterkade 62, Curacao, Netherlands Antilles. Alternatively, copies of the financial statements may be obtained by writing to the undersigned at P.O. Box HM 2254, Hamilton HMJX, Bermuda.

By Order of the Managing Board
JULIAN E. ASHBY
Managing Director

Dated: August 31, 1989

LINREAD PUBLIC LIMITED COMPANY

Notice is hereby given that the share transfer books of the company will be closed on Thursday 28th September 1989 for the preparation of dividend warrants.

By order of the Board

R J Morris
Company Secretary

DAVIES & METCALFE plc

NOTICE IS GIVEN that the Transfer Books of the Company will be closed from 18th September 1989 to 20th September 1989 both dates inclusive.

By Order of the Board
R. ALLEN
Secretary

Injector Works
Romiley, Stockport
Cheshire SK6 3AE

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NOTICE IS HEREBY GIVEN that for the interest period commencing 11th September 1989, the notes will bear interest at the rate of 9¼% per annum. The interest payable on 11th December 1989 against coupon 15 will be US\$23.223958 per US\$1,000 nominal.

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The Financial Times Commercial Property Survey on

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is to appear on

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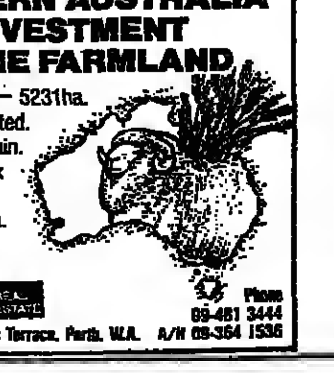

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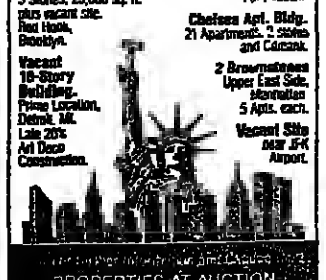

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ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
8	9	10	11	12	13	14

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production, Geraldine James a superb Portia (836 2294).
The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).
Anything Goes (Prince Edward). Cole Porter's silly ocean-going1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 3428).
A Flea in Her Ear (Old Vic). Feydeau's farce in the John Mortimer translation spiritedly done as German Expressionist nightmare by Richard Jones and the Quay Brothers, the directing and design team on WNO's *Love of Three Oranges*. Jim Broadbent leads good cast as the discomfited insurance manager and his doppelganger, a drunken hotel porter. An interesting, enjoyable, unfairly derided experiment (928 7616, cc 240 7200).
Veterans Day (Haymarket). Imperfect Donald Freed nationalistparanoia play about three veterans gathered to bump off the President partly redeemed by fascinating duo of psychotic Vietnam hero Michael Gambon and brightly accommodating Second World War buddy Jack Lemmon (930 9832).
M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy is less electrifying than in New York; it is not very good but worth seeing (379 5399).
Henceforward (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, computer music, women as robots, gangs on the streets and a tug-of-love. Ends Sept 16 (836 9987, cc 741 9999).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical flavour of the period (239 6200).
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.
Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy London, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Washington

The Cocktail Hour (Eisenhower). The original Broadway cast including Nancy Marchand and Keene Curtis bring in A. R. Gurney's latest comedy of manners, in which a writer asks his family's permission to write about them. Ends Sept 23. Kennedy Center (254 3670).

Tokyo

Kabuki, Kabuki-za. Both the 11.00am and 4.30pm performances are mixed programmes this month. The highlight of the evening show is undoubtedly *Cho no Michiyuki (The Butterflies' Journey)*, a gorgeous dance piece about two lovers whose transformation into butterflies is a symbol of death. Tickets can be purchased for a single act on the day of the performance and the theatre provides informative English-language programmes and earphone commentary (541 3131).

OPERA AND BALLET

London

Royal Opera, Covent Garden. The season opens with *Rigoletto*, in the underrated Nuria Espert production first shown last year. The cast includes Ingvar Wixell, Leontina Vaduva and Jerry Hadley, and the conductor is Sian Edwards.
English National Opera, Coliseum. The first new production of the ENO season is *A Masked Ball*, by the team (producer David Alden, designer David Fielding, conductor Mark Elder) responsible for the company's controversial *Simon Boccanegra*. Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie take the leading roles. Further performances of the unevenly sung revivals which opened the season – *The Magic Flute*, conducted by Lothar Zagrosek, with Thomas Randle, Cathryn Pope, Alan Opie and John Connell; and *Katya Kabanova*, conducted by Albert Rosen, with Kathryn Harries, Pauline Tinsley and Donald Adams.
Sadler's Wells Theatre. For six performances the Theater Ludwigshafen (from Germany) and the Academy of Ancient Music join forces to present a "period-instrument" production of Mozart's *Entführung aus dem Serail*. The conductor is Christopher Hogwood, and the singers include Lynne Dawson, Marianne Hirstl, and Douglas Johnson.

Vienna

Staatsoper. *Le Nozze di Figaro* by Mozart is conducted by Ivan Fischer, with cast including Margaret Price, Thomas Hampson and Horst Nitsche. *Lucia di Lammermoor* is conducted by Ion Marin and sung by Edita Gruberova, Georg Tichy and Peter Wimberger. *Fidelio* is conducted by Vaclav Neumann and the cast includes Gwyneth Jones, Sona Ghazarian and Jaroslav Stajnc. *La Bohème* under Silvio Varviso, is sung by Patricia Wise, Kurt Rydl, Bojidor Nikolov.
Volksoper. The week's performances include *Ein Walzertraum, Die lustige Witwe, My Fair Lady, Eine Nacht in Venedig, Tiefland, Don Giovanni* and *Kiss me Kate*.

Brussels

Théâtre du Residence Palace. *The Marriage of Figaro* staged by Stefano Giuliani. The Brussels Festival Orchestra is conducted by Robert Janssens with Marie-Noelle de Callatay, Victor Demaiffe, Isabelle Kabatu, Werner Van Mechelen, Sophie de Tillesse.
Théâtre Royal de la Monnaie. The Monnaie Opera Company in Verdi's *Falstaff*, staged by Iluis Oasqual, conducted by Sylvain Cambreling with Jose Van Dam (Falstaff) Laurence Dale (Fenton), Ugo Benelli (Dr Cajus), Diana Curry.

Berlin

Opera: Hebbel Theater. *Montezuma* in Herbert Wernicke'sproduction returns with Iris Vermillion, Jane Giering, Gudrun Sieber and Walton Groenroos. Also three ballets, danced by guests from the Munich Gärtnerplatztheater.

Bonn

Opera. The successful new *Aida* production by Jacques Karpostars Rosalind Plowright in the title role, Livia Budai, LandoBartolini and is expertly conducted by Bonn's music director Dennis Russell Davies.

Cologne

Opera. *Jenufa*, in Harry Kupfer's production, is revived with astrong cast led by Leonie Rysanek-Gausmann, Linda Plech, Guenter Neumann, Jean van Ree, Alfred Kuhn, Tone Kruse and conducted by James Conlon, Cologne's new music director. Also offered *La Traviata* with Janice Hall, outstanding in the title role, Fernando de la Mora, Paolo Coni making his debut and Erlingur Vigfusson.

New York

New York City Opera. Along with the last performances of Leonard Bernstein's *Candide* conducted by Stanley Silverman, the season continues with performances of *Die Zauberflöte* conducted by Scott Bergeson in Lofti Mansouri's production with Elizabeth Hynes and Walter MacNeil and *Il Barbiere di Siviglia* conducted by Sergiu Comissiona. Lincoln Center New York State Theatre (877 4700).

Tokyo

Pina Bausch. Tanztheater Wuppertal. One of Europe's leading avant garde dance companies presents *Nelken (Carnation)* on a stage strewn with thousands of flowers. National Theatre (Moo) (580 0031).
USSR State Ballet. *Sleeping Beauty*. Tokyo Bunka Kaikan (Tues, Wed) (235 1661).
Bayreuther Festspiele 1989: *Tannhäuser* conducted by Giuseppe Sinopoli. Tokyo Bunkamura (Tues) (477 3244).

EXHIBITIONS

Paris

Institut du Monde Arabe. Egypt-Egypt. An exhibitionof 25 chef-d'oeuvres, including the most recent finds, startswith statues and bas-reliefs dating from the middle-empire,continues with a golden crown of a high priest of Osiris withsome elements of Roman art and Coptic icons and concludeswith Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed-Mon). Ends Jan 14 (40513838).
The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Since then, the modernisation of the museum's infrastructure became a matter of utmost urgency and the pyramid's centralising role is an important step towards the completion of the project of the Grand Louvre planned for 1995. It will involve the moving around of 800 of the exhibits, but the three stars – the Mona Lisa, the Victory of Samothrace and the Venus de Milo will remain firmly in place. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. There are family groups, majestically reclining feminine figures, the hieratic couple of the King and Queen. But most of all, the works, be they in bronze, marble or alabaster, be they of vast proportions or fitting into the palm of a hand, are e hymn to eternal motherhood. Ends Nov 19 (026-223978).

Brussels

KB Gallery, Grand Place. James Ensors' etchings, selected from the Francois Franck collection. Closed Monday; ends Sunday.
Espace Bizarre. Japanese Kimanos (1930-1960) closed Sunday. Ends September 29.
Musée du Costume et de la Dentelle. Women and Equality 1789 – 1889. Ends Sept 24.

Amsterdam

Amsterdam Historical Museum. A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Spanning four centuries, they range from delicate architectural detail to grandiose pipe-dreams, and merely whet the appetite to see more from this fabled collection of more than 1,000 sheets. Ends Sept 17.

Bonn

Beethovenhalle Bonn. 50 portraits of Beethoven by the American pop artist Andy Warhol. In addition to the Bonn Beethovenfest, an Andy Warhol exhibition is taking place until October 1.The Bonn gallery owner Hermann Wuensche commissioned these Beethoven portraits from Andy Warhol for Bonn's 2,000th anniversary. After e year of intensive study of Beethoven, he completed a series of coloured graphic works before he died last year. They are based on the 1821 original, by K.J. Stieler, showing the composer aged 48.

Vienna

Secession. The highlight of the next few weeks will be the 100th anniversary of the birth of Ludwig Wittgenstein, the philosopher, architect and craftsman who until recently had not been appreciated by his fellow countrymen. The indomitable staff at the Secession, the wonderfully renovated gallery where Vienna's radical and anti-establishment artists set up their workshop at the turn of the century, finally raised the funds to organise this long overdue exhibition. Ends October 29 and not to be missed.
The Technisches Museum. Although not the most elegant of Viennese museums, has put together an exhibition exploring the relationship betwgen art and industry and how industry has tapped the imagination of the artist. It is particuarly interesting having Austria's post-war generation represented under one roof. Ends October 26 1989.
The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boests the finest baroque architecture in this part of Europe. Until November 15.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some examples of German neo-expressionism. Until Oct 2.
Museo Napoleonico. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. This absorbing exhibition covers the years 1775, when Pius VIth's long reign began, to 1799, and attempts to show how the conflicting influences of the papacy and the revolution in France affected the Roman theatre. The exhibition opens with a coloured lithograph of the Pope's triumphal procession, immediately after his election, alongside the edict which condemned to death the supposed author of a tasteless masque written for the occasion (the true author of which was said to be Prince Chigi). The Roman cultural scene was lively but frivolous, ballet and spectacular theatre in general being much preferred to classical plays or opera. Included in the exhibition are numerous etchings of stage sets and elaborate papier-maché architecture, built for carinaval masques and later burnt, portraits of contemporary composers such as Cimarosa, and an enchanting Perseus and Andromeda by the French sculptor, Chinard. Ends Sept 30.

Turin

Russian and Soviet Art: 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. The works are hung on suspended panels of white gauze, divided into 22 more or less chronological sections, complemented by the immense Bolshevik-red banners which flutter in the breeze in the square outside. Many of the early figurative paintings on show give evocative glimpses of life in the Russian villages and the particular quality of light and landscape, notably Vasiliev's Autumn Woods, Nesterov's pensive girls in traditional dress at the lakeside and Vinogradov's inviting summerhouses on the slopes of the Crimean hills, with their unexpectedly luxuriant gardens. Cosmopolitan and sophisticated, Russian artists could hardly have been in closer contact with contemporaries in France and Germany. Matisse was in Moscow to install his two paintings, Music and Dance in the house of the collector, Sergei Sukin, and two symbolist works on show by Petrov-Vodkin, Youngsters and The Thirsty Fighter contain clear echoes of these. The giant figure of the prototype of impresarios, Diaghilev, looms over the exhibition. There are two portraits, one by Serov, elegant and devilish, dated 1904, and another, with his old nurse, painted by Bakst in 1906. There are numerous original designs for the sets of the Ballets Russes: Petrushka (1911) and Pavillon d'Armide, by Benois (1907), the ballet which marked the beginning of Fokine's career as a choreographer and that of Nijinsky and Pavlova as dancers, at the Marinsky theatre. A number or remarkable portraits stand out, from Vladimir Tatlin's empty-faced Sailor to Altman's faintly expressionist portrait of the poetess Anna Achmatova (1914), with its intense blues and yellows, Serov's mournful Grand Duke Pavel Alexandrovich and Chagall's Red Jew. Chagall has a section to himself, as does Kandinsky, with three fine works. Ends October 20.

Spoleto

Rocco Albornoziana and Church of S. Nicolo. 17th century painting in Umbria. The exhibition is the fruit of nearly 20 years research work by Professor Bruntoscano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined close-to in two settings (of which the latter is by far the most satisfactory). The works are uneven in quality, but all are interesting, each telling a story (often with the sponsor looking pious in the lower right-hand corner), and often harking back in style to earlier artists such as Perugino. Not all are by local painters: a notable exception is fine work by the French painter, Jean l'Homme (signed and dated 1631), and some are discoveries, such as an unknown, Francesco Furini. One of the most beautiful is the Maestro di Serrone's arresting and enigmatic Workshop of Sanginseppe where Christ (with an almost victorian head of curls and roughly eight years old) standing between his parents forms a rough cross from wood fragments from the workbench, and binds them together with thread from his mother's sewing-box, a mysterious smile on his face, while his parents' eyes meet in anxious premonition. Ends Sept 23.

Venice

Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

Tokyo

Teien Museum. Arts of Edo/Tokyo. A celebration to mark four centuries of creativity in former Edo – present-day Tokyo. The Teien Museum has one of the world's finest art deco interiors and a pleasant garden. Closed Mondays.
National Museum of Western Art. Delacroix and French Romanticism. Japan's contribution to the bicentenary celebrations of the French Revolution is an impressive survey, even though hampered by a lack of major works. Closed Mondays.
National Museum of Modern Art. Art of the Showa Era. Paintings, sculpture, prints and photos by Japanese artists, all executed during the reign of the late Showa Emperor (1926-1989). Closed Mondays.

ARTS

Leo McKern

Royal vision of Britain

Colin Amery on Prince Charles at the V&A

It may not be The Great Exhibition, but a royal exhibit in South Kensington on a nationally important topic inevitably invites comparison with the remarkable work of the Prince Consort. Prince Charles's exhibition, *A Vision of Britain*, which opened yesterday at the Victoria & Albert Museum, is only a hint of the depth of the concern the Prince seems to feel about the visual state of the British built environment. The built achievements of Prince Albert remain remarkable. The present Prince of Wales has yet to put into practice the principles he expounds. He will, in his own Duchy of Cornwall, have to ensure that all new development is of the highest standard.

The real test case for many of his theories is the opportunity he has in Dorchester for a major expansion of the town, and the model of that proposal is in the exhibition. I felt that the complexities of Leon Krier's ideas – he is the appointed Master Planner – needed a lot more explanation than they receive here. They are ambitious and important ideas that the Prince is brave to back, and much more could have been made of them for this show.

The exhibition, which was designed by architect David Lloyd Jones, is initially striking. A huge magenta coloured skeletal structure draped with blue banners dominates the centre of the gallery. It is the bones of the actual room you are in, but scaled down to humanise the exhibit. At the centre of this is the naked muse of architecture holding a miniature model of the room. (I will send a bottle of champagne to the first reader to name the muse of architecture !)

Quite rightly, the sequence of the exhibition panels begins with "The Land." I feel that it is here that Prince Charles's sympathies really lie. Indeed, in all his watercolours loaned for the exhibition he is at his best observing the landscape and the way buildings take their place as incidents in it. I suppose it is difficult for the Prince of Wales to set up a canvas stool in the centre of St.Mark's Square in Venice and inevitably he comes across as a lover of the isolated countryside, not a city man. But his instincts are absolutely sound about the ruination of our cities and it is a sad reflection upon Governments and planners that such damage has already been done, and continues to be done.

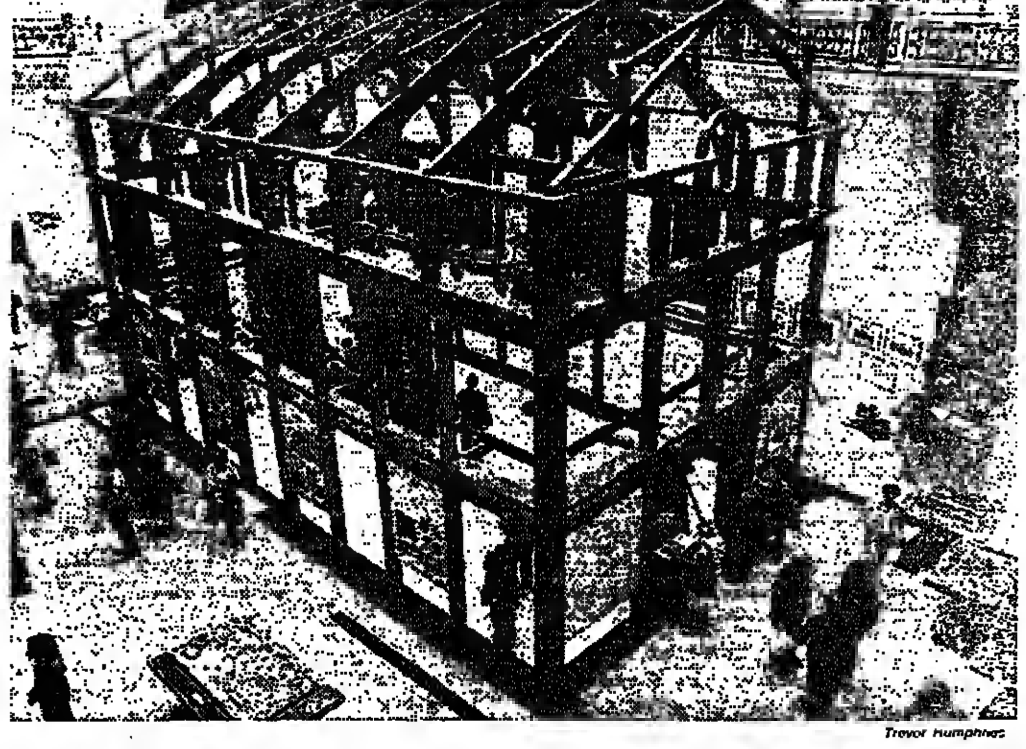
It really should not take the Prince of Wales to point out the obvious fact that "the City needs a coherent plan for the area around St. Paul's." He is right, and the reluctance to do anything on the part of the City of London is a scandal.

The Prince's "Ten Principles" are at the centre of the exhibition and they seem simple and commonsensical. Scale, language, a sense of place, materials, colour, decoration and art – who can disagree that these are elements that architects and builders must heed more carefully. How right he is to point out the visual destructiveness of wirescape and clutter. To make his point he has adopted some memorable Betjemanesque couplets, like this: "Spare us skies belooped with lines, Orange lights and awful signs." There are nine more such couplets; perhaps they should be chanted every morning in primary schools at the secular assembly.

We are shown how these ten points apply to the area immediately around the V&A. Michael Darby has produced the South Kensington section, which is well done, helpfully bringing the rather general principles into a precise context. The museum should organise a short architectural walk around the museum, with a leaflet.

There is a solid chunk of historical material that explains the range of expression available within classicism. An amusing drawing prepared by the architect Aston Webb for King Edward VII of the new front of Buckingham Palace shows that royal architectural enthusiasm is relatively new. The annotations from the King's private secretary show arrows pointing at urns saying, "The King is not sure what these are . . ."

I felt that the exhibition should have been more related to the great collections of the V&A, thus showing the way forward through the observation of fine art and history. Architectural polemic works well on television, but it is notoriously difficult to produce a great architectural exhibition. This one takes us a little beyond the book on the wall and shows us a concern that should be copied around the kingdom. It naturally leads into the educational debate: how to improve the quality of architectural education. Is this to be the next area for royal investigation? That would be timely and appropriate.



Trevor Humphries

Boswell for the Defence

PLAYHOUSE THEATRE

Boswell survived Johnson, Garrick, and the rest of that distinguished circle, whose table talk he so assiduously recorded, into a lonely maturity. In his declining years in spite of bodily debility, notably a troublesome prostate, he continued to observe the main pursuits of his rackety youth in London, the bar (both senses) and women. It is this elderly (by 18th century standards) Boswell, who now inhabits a cluttered dingy apartment in Great Portland Street in 1793, Leo McKern reincarnates. It is virtually a one-man show, only the off-stage voice of Abigail, his landlady's daughter, breaking in upon his reveries from time to time.

Poor old Bozzy! He is now the more than ever prisoner of his bodily functions. At the spectacle of watching the actor pretend to urinate into a chamber-pot (a period detail derived from Roy Dotrice's similar portrayal of Aubrey) may be considered an acquired taste, we are given three separate opportunities in the course of the evening to acquire it. To the accompaniment of many a solitary glass of claret, Bozzy rehearses the disappointments of the past, the military career he failed to achieve, the authoritarian father who made his life a misery, the pretty doxies who got away and – as a gleam comes into the eye and he traces the remembered contour of a delicious *embonpoint* with a sensuous curve of the hand – the ones who did not.

McKern waltzes fussily around the set while uttering these wry disjointed recollections, latching firmly on to our attention. His director, Frank Hauser, and designer the Australian Kristian Frederikson, have devised plenty of things for him to do to break the monotony. There is the whole business of dressing as he wakes with a terrible head from the excesses of the night before; finding his breeches and his wig, putting them on, fixing himself some breakfast, a piece of bread toasted to blackness at the fire. McKern, who is a good mover as well as a fine speaker, clears all these hurdles with neat agility, bumbling on the while with his jumbled memories.

There is slightly more to the show than total recall. It is cleverly scripted. The writer Patrick Edgeworth, a Londoner who has worked for many years in theatre and film in Australia, has hit upon an episode in Bozzy's legal career, the case of the convict Mary Broad, which eventually pulls the play together. Broad was transported to Botany Bay where she married a fellow-convict. They and some others succeeded in escaping by boat. McKern makes a satisfying meal of the account of their amazing 3000 mile voyage involving shipwreck, the death of Broad's husband and their children, her recapture and re-trial in London.

Bozzy has taken up her case and is pleading on this very day for her reprieve with the same secretary Dundas, a profiteer and place-seeker, and an old Edinburgh rival. Here McKern's skills come into their own as he mimics the sarcastic reforts of the haughty laird and then delivers the punch-lines in his own (or rather Bozzy's) voice bang on cue. In his final peroration pleading for her release McKern rises to quite stirring heights of eloquence. We are a million miles away from Rumpole as McKern turns the screw of pathos relentlessly in a gentle Scottish brogue. In its slight, bawdy, rambling fashion, it is an entertaining evening.

Anthony Curtis

Shakti

THE PLACE

Mallika Sarabhai's subject in *Shakti* is the diversity of Indian womanhood. Like some Terpsichorean Marina Warner of the subcontinent, she guides us through this in a lecture-demonstration format for an hour and a half, assisted by three musicians and by John Martin – who reads texts that her performance then illustrates. The centre of this is always Sarabhai herself.

She is invariably eloquent. She dances, acts, speaks (in English) and sings (in Hindi), and, as she moves from one medium to another, there's no change of gear at all. Yet she's never the same. During the evening she becomes some ten different women apart from herself, and each of her impersonations has its own reality. Some of these women are ones that Indian culture has "deified" (her word); her starting point was one of these, Draupadi, heroine of the *Mahabharata* epic, whom she played in the Peter Brook show of that name. Others are real-life news-item latter day martyrs. As a display of the wide range of the iconography of the Indian female, *Shakti (The Power of Women)* is interesting, though the lecture-demo idiom is occasionally trite. As a showcase of Indian dance and music, it is more variable, but sometimes very fine indeed.

In the second of the programme's six sections, Sarabhai becomes, one after another, four sisters who, earlier this year, took their own lives in protest against the Hindu social codes. To play each one of these, she dons a mask, and speaks to the audience. I've never seen masks so eloquent, (one of them reveals the eyes, one of them shades them), and to match each one Sarabhai has a different voice, a different gait, a different carriage of the head. Elsewhere she impersonates the much-married Draupadi; Meera the sainted princess; Savitri the perfect wife; and Lakshmi, a Bodicea to the British occupiers of the last century. Finally, in "Hug the Trees," she embodies a long tradition of noble, proto-Green and proto-Greenham women who've braved male aggression to defend the lives of trees on the Himalaya slopes.

Sarabhai is a mistress of the Bharata Natyam and Kuchipudi forms; I watch and speak as an untutored Occidental. To me, *Shakti* afforded many of the basic and affecting pleasures of Indian dance. The feet are bare and lively. The soles are flat to the floor, like block on block; or the heels are planted first as part of a jaunty, dipping walk. The weight is held low, the legs are often bent. The thighs that lower or raise those feet are often richly turned out and can initiate terrific attack. The centre of the body – from thigh to shoulder – has a wonderful sculptural force, and can tip sideways with startling suddenness in mid-phrase. Arm gestures are delivered with every shading – from pellucid finger-dances to violent circlings of the forearm. The body, constantly moving through positions of handsome three-dimensional depth, describes all manner of satisfying angles, curves and crescents up and down its length.

All of this reached its most powerful exposition during *Shakti* in "Hug The Trees," in an old ritual dance of aiding nature. Here, driving rhythm became the dance's connecting force – an Indian femininity found its most complex expression of the evening. Elsewhere, it was easier to tell what Sarabhai's characters had to say, but less rewarding to watch. But she is never dull. She has dignity, modesty, communicative intensity.

Shakti occurred under the aegis of *Indian Summer*, a three-week season of Indian dance at, or near, The Place. (The season marks the tenth anniversary of London's Academy of Indian Dance.) I look forward to reporting on some of the season's other events later in the month.

Alastair Macaulay

The Crucible

RIVERSIDE STUDIOS

Coming direct from the Edinburgh Festival, Brian Cox's production of Arthur Miller's great play confirms what we already knew. There is no shortage of fine actors in the Soviet Union. His company comprises graduates of the Moscow Art Theatre School, where Cox spent nine months in 1988 as a guest lecturer. Cox has now formed an International Foundation for Training in the Arts based on an exchange programme between British and Soviet drama schools.

Looking at these young artists you can see their careers already stretching ahead of them. Which may suggest a major difference between Moscow training and the more pragmatic, technically unrestricting background offered by most London drama colleges. As was remarked in Edinburgh, there is an impassioned groundswell to the performance, most of it emanating from Vladimir Mashkov's electrifying John Proctor.

Instead of the usually fraught farmer in Puritan black, we have a bearded ladykiller in well-worn jeans, a man who knows the sensual value of everything from a bowl of soup to his wife's bosom. The minute he is in the same room as Abigail, their past affair shoots through their limbs like an electric current, legs surreptitiously entwined, hands busy.

The last act inquisitor, Danforth, is played by Valery Nikolaev as a slant-eyed dude with a long pony-tail, thin moustache, thigh-high boots and a black cane. The reading is sharp-edged, sinister. This remarkable quality of definition in playing extends to Alyena Kovanskaya's Mary Warren, Marioa Kolesnichenko's scrubbed and moving Elizabeth Proctor, and Roman Kuznechenko's bear-like Giles Corey. Even the court official, Marshal Herrick, is played by Ilya Volob as the sort of shambling, swaying comic turn you expect of a hardened veteran.

Cox is on record as saying the play can be seen as a critique of Stalinism, just as the original impact was as an allegory of the McCarthy show trials in the early 1950s. It is surprising, therefore, that the production is tamely set in a rather rough approximation of New England costume.

The Glasgow Citizens', in a much cooler presentation, have just unleashed the play's timeless application by avoiding period mannerism.

Cox goes in for old-fashioned Moscow Art spookiness by using a soundtrack of plucked piano innards. There is no great objection to this, but if we are to have an invented prologue in which the girls are afflicted with the screaming ab-dabs in the woods (and Abigail coyly removes her blouse in the half-light), then I think the violation should be more sustained and whole-hearted.

Still, a fascinating evening deserving more support than Wednesday night's pitifully sparse house. Until September 16. There is no simultaneous translation, but a serviceable synopsis for newcomers to the play.

Michael Coveney

Die Entführung aus dem Serail

SADLER'S WELLS

Enjoy the Overture. The sound of period instruments in Mozart is at its most compelling in this piece, bringing a tingling brilliance to the Turkish elements of piccolo and percussion that a conventional orchestra could never equal, and the Academy of Ancient Music under Christopher Hogwood played it with all the racing excitement that one might have expected from them.

After that the evening goes downhill – rapidly. To invite the Academy and Hogwood to take part in their first major opera production as part of a short season under the title "Ottoman Nights", with Mozart's Turkish opera as its centrepiece, was an idea with which nobody could quarrel. But the project took a disastrous wrong turning when it was decided to pair them with a visiting production from the Theater Ludwigshafen in West Germany.

The stage lit up to reveal a set of screens, on which pseudo-Turkish slides were periodically projected. Maybe in Ludwigshafen it looked better, but the remnant of a stage design which the company had brought with them to Sadler's Wells was so hideously ugly that it could only possibly have been better to leave it behind – while if there was ever anything of wit, of humanity, of dramatic depth about the production, that had not survived the crossing.

It takes a certain talent to turn this most exotic and sprightly of all Mozart's German comic operas into a drab evening, but that is what the team managed with comprehensive success. To judge from the lack of ensemble between pit and stage there had been little time for rehearsal. The singers looked desperately ill-at-ease and wandered about the stage, as though in search of a conductor they were unable to find.

Vocal talents were mostly modest, characterisations non-existant. Among the visiting singers it was a relief to find Marianne Hirsti, who rose above the general malaise to give an agreeable, lightly-sung Blonde. One felt only sympathy for the Constanze of Lynne Dawson, a lovely singer with so much to give, who spent most of the evening wrestling both against nerves (a perilous "Ach, ich liebte") and a vocal part whose difficulties were just beyond her reach.

In the final chorus Hogwood led the Academy with an energy and vigour extreme even by the usual "authentic" standards. Perhaps he wanted to send us away thinking there really had been life in the corpse all along. Performances of the opera continue today and on alternate nights until 16 September,

Richard Fairman

The Pirates of Penzance

SAVOY THEATRE

Stravinsky, a better judge of music than the Arts Council of Great Britain, would used to catch up with the Gilbert and Sullivan canon when possible during his London trips. He would find lean pickings today: probably no opportunity to see the uncommercial rarities like *(Princess Ida)* ever again; and no regular season of half a dozen Savoy operas in repertoire.

Still, the D'Oyly Carte (they have dropped last year's "new") is resurrected. Appropriately they are staying at the Savoy, marking the centenary of the hotel that Richard D'Oyly Carte added to his theatre. This year's brace of G and S includes *The Mikado* next week – looks set to affirm once again what an extraordinary, one-off and inimitable (if often imitated) phenomenon the partnership was in the moribund English theatre before Wilde and Shaw.

This *Pirates* is best viewed with gritted teeth and curled toes. Keith Warner's production is two hours of almost unrelieved archness, whimsical drollery and tricksy semi-camp. It sums up the least lovable side of the very English essence of G and S: for despite Sullivan's obvious nod to Offenbach, the melodic freshness, the gentleness that sweetens the sharpest of Gilbert's barbs, the devotion to the convolutions of inverted logic are unmistakably of the race of both Lewis Carroll and Vaughan Williams – as the beautiful "Ah, leave me not alone to pine" with its churchy echoes and hint of folk simplicity here emphasises. All very English. But Mr Warner gives us the obverse side: the village hall.

Marie-Jeanne Lecca's promising set is an obvious box, its walls depicting sea, clouds and a cross-hatched horizon. The company waltzes on with hushes or tombstones. The pirates' costumes ominously contain the odd topper or bowler sporting a death's head.

The subsequent jokes are self-conscious and often fussy – why have comic business between Major-General Stanley and the policeman if Mabel masks them? And why in heaven's name lumber poor pirate maid Ruth (the zestful Susan Gorton, a sort of Savoyard Patricia Routledge) with stripping off male evening dress, assuming a nursery-maid guise and reverting to her piratical self – all while singing "A paradox, a paradox"?

Crisp choral work, though conductor Bramwell Tovey can surge ahead of his singers; a brilliantly goofy Sergeant, myopically beaming with a touch of Benny Hill's fatuous blandness, from Simon Masterton-Smith (real comedy at last); attractive young singers. And astonishing, out-of-place un-mid-Victorian melodic abundance. But keep your eyes shut.

Martin Hoyle

ARTS GUIDE

September 8-14

MUSIC

London

The Proms. This year's Proms continue until September 16 at the Royal Albert Hall. Tickets for most concerts cost from £3 to £11, and can be booked on 589 8212, 589 9465 (10am-6pm) or 379 4444 (24 hours); promenade tickets are available only at the door on the day of the concert priced at £1-50 or £2.
This week's performances include Paul Tortelier playing the Dvorak Cello Concerto in a concert that also includes Elgar's second symphony (Sat); Sir Peter Maxwell Davies conducting his own fourth symphony and works by Haydn and Mozart (Sun); Vladimir Ashkenazy conducting the Berlin Radio Symphony Orchestra in Mussorgsky, Shostakovich and Strauss with Dietrich Fischer-Dieskau as soloist (Mon) and in works by Brahms and Shostakovich (Tues); the Hallé Orchestra playing Weber, Chopin and Dvorak (Wed); and Beethoven's Missa Solemnis in a performance conducted by Sir John Pritchard (Thur).

Paris

Paris Ars Antiqua. Music of the troubadours, 15th century musicat the Court of Burgundy, 16th and 17th court and villagemusic (Mon); French medieval songs, Shakespeare and Elizabethanmusic (Wed); music from the Crusaders Period, Guillaume deMachaut 14th century, Golden Age of Spanish music 16th century(Thur). The Ars Antiqua concerts take place at 7.15pm and 9.15pm in the Sainte Chapella with its jewel-like 13th century-windows (43405517), 4 Bd du Palais.

Brussels

RTBF Symphony Orchestra conducted by Andre Vandernoot with Daniel Capelletti, Francois Glorieux and Frederic Van Rossum (piano) performing their works for piano and orchestra. Maison de la Radio (Fri).
Brussels Festival Orchestra conducted by Robert Janssens with Andre Poulet (cello) playing Massenet, Milhaud and Schumann. Conservatoire Royal de la Musique (Mon).
The Moscow Virtuosi conducted by Vladimir Spivakov with Eugene Mogulevsky (piano). Haydn, Shostakovich and Stravinsky. Palais des Beaux-Arts (Tues).

Vienna

Wiener Akademie conducted by Martin Haselboeck. Mozart. Augustinerkirche. Konzerthaus. (Fri).
Organ Recital by Ruth McGuire. Mendelssohn, Bach, Hofhaimer. Gardekirche (Sat).
Saito Kinen Orchestra conducted by Seiji Ozawa and Kazuyoshi Akiyama. Schubert, Takemitsu, Brahms. Konzerthaus (Mon).
London Symphony Orchestra conducted by Michael Tilson Thomas. Beethoven, Bruckner (Tues).

Frankfurter Feste 1989

This year's Frankfurt Festival with the title of A Common Brotherhood is based on two historic events: the French Revolution in 1789 and the start of the Second World War II 50 years ago.

The programme with around 100 performances, attempts to explain the historic events and their influence on contemporary culture and society in terms of the struggle for liberty. There will performances of works by Mauricio Kagel, of Britten's War Requiem and Prokofiev's Alexander Nevsky. Most of the Beethoven symphonies will be played by the Concertgebouw Orchestra Amsterdam, conducted by Riccardo Chailly, the Berlin Philharmonic, Leningrad Symphony, the Saito Kinen Orchestra under Seiji Ozawa. The North German Radio Orchestra will perform Krzysztof Penderecki's Polish Requiem, under the composer. Other highlights include a concert version of *Andrea Chenier* starring Reneto Bruson, Franco Bonisolli, Maria Guelegina and the Budapest Radio Choir conducted by Gianluigi Gelmetti, as well as Handel's rarely played *Tamerlano*. There will be also be contemporary music by Wolfgang Rihm, Mauricio Kagel, Michael Sell and Antonio Madigan. Experiments, musical theatre, chamber music, exhibitions and open-air music round off the programme. Alte Oper: tickets Frankfurt 069/1340-400. Ends Oct 3.

Bonn

Beethovenfest will be the highlight of Bonn's 2,000thanniversary celebrations, with around 30 concerts. Bonn, Beethoven's birthplace, focuses on a wide range of his works, played by international orchestras, while Beethoven's works will be juxtaposed with those of a contemporary composer, who this year will be Leonard Bernstein.

Among the orchestras appearing are: Berlin Philharmonic under Lorin Maazel, Royal Concertgebow Orchestra Amsterdam, conducted by Riccardo Chailly, the London Classical Players, the English Baroque soloists and the Monteverdi Choir of London, conducted by John Eliot Gardiner, the Vienna Philharmonic under Leonard Bernstein, the Dresden Philharmonic, the Bonn Beethovenhalle Orchestra under music director Dennis Russell Davies, who is also the artistic director of the festival. Soloists include Alfred Brendel, Andor Foldes, Krystan Zimerman, Janos Starker, HannaSchwarz, Cheryl Studer, Bernd Weikl and Reiner Goldberg. Sept 10 to Oct 2. Tickets: Konzertkasse Tel: 0228/775756.

Berlin

Berlin Festival until Oct 2 will be e forum of 'East meets West'. To honour their conductor Herbert Von Karajan, who died two months ago, the Berlin Philharmonic give a memorial concert of Schubert and Bruckner's 9th Symphony, conducted by Carlo Maria Giulini (Sun, Mon). Alfred Brendel plays Mozart, Brahms, Liszt and Beethoven (Tues) and the Berlin Philharmonic orchestra is conducted by Sir Georg Solti in Bartok and Beethoven (Wed, Thur). Philharmonie.

Hamburg

Hamburg Mahler Festival until Sept 18 in honour of Gustav Mahler, who between 1891 and 1897 was the HamburgOpera's music director. Hamburg is staging this festival to explain the composer's influence on the history of music. Mahler fans will have the chance to listen to nearly all his works, interpreted by world famous orchestras, such as the Berlin Philharmonic, conducted by Carlo Maria Giulini, the Chicago Symphony Orchestra under Sir Georg Solti, the Leningrad Symphony Orchestra under Juri Temirkanov, the Dresden and Czech Philharmonic and Hamburg's orchestras. Ends Sept 18. Tickets: 040/346023.

Milan

Zoltan Pesko conducts Charles Ives, Bartok and Weill, with tenors Mario Bolognesi and Ezio Dei Cesare, Stefano Antooucci (baritone), Francesco Ruta (bass), and Milva (cootralto) (Mon, Tues, Wed). Teatro alla Scala.

Parma

La Civilta Musicale di Parma. Renata Scotto and PaoloWashington sing in ths first performance of recently discovered Verdi lieder, accompanied by Vincenzo Scalero (Fri). This eight-day festival, set in and around Verdi's birthplace at Roncole Busseto acts as a curtain-raiser for a serious Verdi Festival, to open next year. Teatro Regio.

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Brahms, Thompson, Dvorak. Kennedy Center Concert Hall (Thur) (254 3776).

Tokyo

New York Philharmonic Orchestra conducted by Zubin Mehta. Schubert, C.P.E. Bach, Strauss (Tues); Dvorak, Beethoven (Wed); Mozart, Rimsky-Korsakov (Thur). Suntory Hall (505 1010).
Traditional Japanese Music. Drums of Japan. National Theatre (Thur) (265 7411).

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White vote, black protest

WHAT AT first sight might seem South Africa's political earthquake may turn out to have been no more than a severe tremor, for the ruling National Party is back in office. Nevertheless, a fault line has emerged after Wednesday's parliamentary elections which could mark an important development in the country's history. The results give some grounds for cautious hope about its future, although these hopes are clouded by the brutality with which anti-apartheid demonstrators in Cape Town have been treated.

The National Party has won less than 50 per cent of votes cast, its lowest percentage of the turnout since 1961. But it has been returned to power on promises, albeit vague, of a new constitution based on "power sharing" with the black majority. The liberal Democratic Party, which calls for talks with the banned African National Congress, is supported by one voter in five. The extreme right Conservative Party has the backing of nearly one in three of the white electorate. This result suggests a demarcation in white politics, although the lines are still blurred.

A realignment may be under way: between the parties standing for negotiation on the one hand, and confrontation on the other. If this is correct, further tremors in the political landscape may be inevitable.

Mr F W de Klerk, the president-to-be, is being pushed by black unrest, economic imperatives and external pressures, to follow the logic of reform and open talks with representative black leaders and parties, including the ANC. This move will be endorsed by the Democratic Party, but greeted with misgivings by some National Party supporters.

De facto ally

Mr de Klerk may well try to stall, hoping that limited reforms can relieve the pressures that are building up, while leaving the pillars of segregation intact. This amounts to being little more than a de facto ally of the Conservative Party, and offers no answer to the country's acute problems. The warning that Mr P W Botha, the former president, gave to white South Africa is relevant to the National Party today: *it must adapt or die.*

The interpretation that Mr de Klerk has put on the outcome of the election is, on the face of it, encouraging. Most of the electorate opted for change, he said, suggesting that he now had a mandate for reform.

The important question is just what reform Mr de Klerk has in mind. The ideological gap between Mr de Klerk and the Conservative Party seems narrower than that between Mr de Klerk and the Democratic Party. This might suggest an alternative, disquieting, outcome to the election arithmetic: according to this addition, nearly 80 per cent of the electorate voted for either crude apartheid and a bizarre vision of a white homeland, or a modernised version of white domination concealed in the rhetoric of "group rights" and "power sharing."

Defiance

Mr de Klerk has much to do if he is to convince black South Africans that this assessment is wrong. After a period of comparative calm, anti-apartheid groups have shown that their opposition to white rule is undiminished. Despite the state of emergency and the curbs and restriction orders placed on many black leaders, the Mass Democratic Movement's defiance campaign has had remarkable impact. Some 3m workers and students stayed at home on election day.

It was an event every bit as important as the white election itself. Black politics has changed since the upheavals of the mid-1980s, when protestors threatened to make townships ungovernable. Trade unions, rather than bitter young radicals, now determine tactics. Apartheid is tackled where it is shown as absurd: segregated beaches; or immoral: segregated hospitals; or most vulnerable: the shop floor.

Mr de Klerk has an early opportunity to explain the government's vague intentions when he addresses parliament in Cape Town next week. But words will have to be followed by action. Until he can give tangible evidence of his plans for a democratic society, Mr de Klerk must expect a sceptical response to his talk of reform.

The market path to EMU

AS EUROPEAN Community finance ministers and central bankers prepare for their weekend meeting in Antibes, Mr Nigel Lawson can at least console himself that he is no longer isolated on the most contentious issues surrounding economic and monetary union (EMU). The West German Economics Ministry has come out strongly against the Delors report's proposals for centralised control of national fiscal policy. Its blunt condemnation last month of the proposal to impose binding limits on budget deficits must have been music to Mr Lawson's ears. A similarly forthright assertion that competition should be at the centre of efforts towards policy co-ordination will have been equally welcome.

That said, it would be unwise to dismiss each and every one of the Delors report's underlying economic assumptions about fiscal policy as mere throw backs to the days of 1970s demand management. In an economic and monetary union the combination of the small Community budget with large, independently determined national budgets would lead to Europe's aggregate fiscal policy being the accidental outcome of the decisions of member states. Yet the objective of price stability calls for a limit to the accumulation of public debt, while the management of monetary policy would be eased by control over fiscal deficits.

Co-operation

In the wider international arena it is now generally accepted that economic interdependence calls for co-operative management, which has contributed to the durability of the economic recovery. Without a measure of internal co-ordination the Community would be unable to participate in the wider global exercise.

A more difficult question is whether member states may be tempted, in a unified capital market, to run excessive budget deficits and make excessive claims on the savings of the rest of the Community. Yet it is not clear from the experience of other federal systems that a bias to fiscal laxity is inevitable, nor that markets would necessarily fail to exercise adequate discipline.

The real question is about the form that fiscal policy co-ordination should take. It is a measure of the ambition of the original Delors proposals that even in such federal systems as the United States, West Germany and Canada no one has chosen to go down the route of binding rules and sanctions. For all the discussion about global fiscal policy co-ordination, it is significant that the G7 has confined its deliberations mainly to exchange rates and monetary policy.

Sovereignty

That can be explained, at the international level, by sensitivities about sovereignty. But there is also a dearth of evidence and experience to guide any attempt at centralised co-ordination. What, for example, would justify the use of a sanction? Italy runs a disproportionately large budget deficit. But before anyone accuses it of posing a threat to European monetary stability, they have to confront the Italians' disproportionately high savings ratio, their good recent performance in the European Monetary System and a decline in the rate of inflation that puts Britain to shame.

And what constitutes a sensible pattern of budget and trade deficits across the Community? Huge differences in demography, economic structure, investment returns and resistance to inflationary pressure bedevil that question. If Mr Delors has the answer, he is an intellectual jump ahead even of most economists whose instincts are naturally dirigiste.

As for the practicalities of *imposing a system of rules*, Mr Giles Keating of Credit Suisse First Boston has argued that the system would degenerate into a struggle between powerful groups, which would be closer to the US model than to France or Britain where the executive branch is strong. In other words, shifting fiscal policy up to federal level does not guarantee that it will be available for use as a macro-economic policy instrument.

There is room for more realism in Brussels; and, as the Germans have suggested, for a market based approach to co-ordination.

Max Wilkinson asks BP's next chairman about the company's future

Extrapolation is bad for you

Robert Horton, the man who is to lead British Petroleum into the 1990s, has a contrarian view of strategy.

"My entire business philosophy is driven by finding out what other people think and testing very strongly why one should not do the opposite. Most people are just short term extrapolators. And what 95 per cent of the human race believes is going to happen for ever invariably has in it the seeds of making sure that it only happens for a few years."

It was a maxim he put to good personal effect at the height of the stockmarket rally in the summer of 1987, when the Government was hyping up its £7.2bn BP share offer. Mr Horton, then in charge of BP America, liquidated all his personal portfolio and got out of dollars.

His observation might also stand as the epitaph on an entire generation of oil industry planners whose over-optimism brought BP almost to its knees.

In the late 1960s and early 1970s, as Mr Horton recalls, strategists expected demand for oil products to continue to rise at 8 per cent a year, as it had done in the period since the Second World War.

The result was a huge over-supply of refining and chemical plant which a new generation of tough young executives like Mr Horton and the new deputy chairman, David Simon, were given the unpleasant task of closing down in the early 1980s.

Mr Simon tackled the refinery losses, turning the business round from $1bn a year losses to $1bn a year profit in three and a half years. Meanwhile, Mr Horton was head of the chemicals business. Between 1980 and 1983, he closed 20 plants. Nearly two thirds of the division's employees lost their jobs, but Mr Horton earned much admiration for combining decisiveness with an openness which disarmed much of the potential opposition. He also took the unfashionable decision to concentrate on three bulk "commodity" chemicals, rather than retreat into specialties, a decision which paid off handsomely when demand eventually revived.

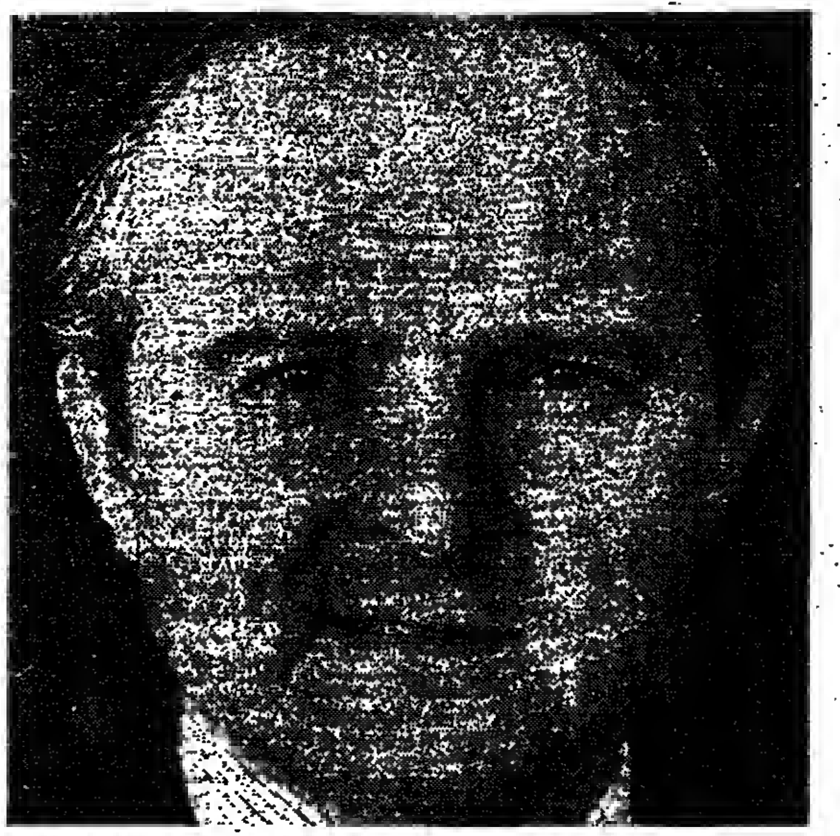
After three years as an innovative head of finance, Mr Horton once again found himself clearing away the debris left by over-optimistic extrapolators, this time at Standard Oil in America.

This was a huge and difficult task, not least because Standard, the direct descendant of the John D. Rockefeller's oil empire, was garlanded with much local sentiment.

BP's ownership of a narrow majority of Standard dated back to the British company's search for a US partner to develop the vast reserves it found in Alaska in 1969. The partnership was a success in Alaska, but Standard's management had squandered its share of the rewards. After the collapse of oil prices in 1986, Sir Peter Walters, now to retire after 8 years as BP's chairman, finally lost patience. He brought about the sacking of the US management and parachuted in a new team: Mr Horton and his close lieutenant at BP's finance operations, Mr John Browne.

With a ruthless programme of disposals and management changes, the pair turned the company round in less than a year. While the sackings were in progress, Mr Horton – a man with a mischievous eye and persuasive handshake – managed to become a minor hero in Cleveland, where Standard is based.

His sociability and support for local causes earned him the sobriquet "the hatchet gentleman," a phrase which may have referred to his liking for big houses, paintings and music. He played to the Middle Western respect for straight talking, calling the whole staff into the atrium at the company's opulent new headquarters when he arrived to warn that there would be



● Mr Robert Horton, 50, appointed BP chairman yesterday

difficult times ahead. When he left, the mayor, Mr George Voinovich, said companies seeking a model of how foreign owners should behave ought to "find out what Bob Horton did in Cleveland."

The rapid financial clean-up prepared the way for BP's $7.9bn purchase of the remaining 45 per cent of Standard's shares. It created a new word in the BP lexicon, "Hortonandbrowne," the management equivalent of bubble and squeak.

The transformation of a demoralised $15bn US oil company into BP

'By the end of my chairmanship I would like BP to be unquestionably in the first league'

America might have seemed enough excitement for a few years. But it was followed in quick succession by the flop of the British Government's £7.2bn share offer in the middle of the October 1987 stock market crash; BP's £2.4bn purchase of Britoil in the teeth of Government opposition; its fight to prevent the Kuwait Government from keeping the 22 per cent stake collected from the debris of the failed share offer; the eventual repurchase of £2.4bn of the Kuwaiti stake this year; the simultaneous sale of BP's minerals business to RTZ for a matching £2.4bn; and most recently the proposed sale of BP Coal.

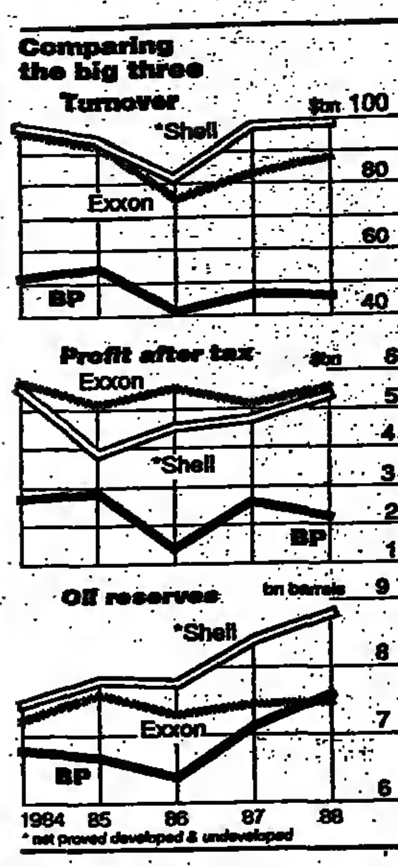
Throughout this period of tumultuous activity BP has steered a fairly steady course in the direction laid down by Sir Peter Walters. He insisted that the company should concentrate only on sectors where it had a special advantage, and make sure that it built up a "critical mass," that is to say a dominant position in each relevant market. The sale of BP Minerals just when it was becoming profitable was doubtless influenced by the immediate need for cash to buy out the Kuwaitis. But it is also fair to see it as part of the process of concentrating BP's firepower, a process with which Mr Horton, Mr Browne and David Simon have all been closely identified.

Mr Horton says the process of restructuring is now pretty well complete, leaving the company standing, like one of its oil platforms, on the three legs of its traditional businesses: exploration and production, refining and marketing and chemicals. In addition, it has the nutrition (animal feeds) business which is the last vestige of its efforts to diversify and which many observers believe will eventually be sold.

The sharp concentration into three businesses (leaving nutrition aside) has been mirrored by a concentration within those businesses. This has been evidenced by an aggressive sale of assets which do not fit or are underperforming, partly to reduce borrowings and partly to make room for expansion in the core businesses. Disposals will be about $1bn this year and next, which compares with total capital spending of about $5.6bn.

An important part of this process is a review of BP's entire worldwide oil and gas exploration strategy, recently completed by John Browne. Its results will be announced shortly. Analysts close to BP say it will involve a fairly radical shakeup, with the loss of perhaps 2,000 jobs.

The main strategic focus, Mr Horton says, is that "BP will return to a more traditional way of exploring, using its high degree of expertise to go for areas with large possible reserves."



This, taken with the shedding of other corporate limbs, will represent a big shift back to BP's traditional skill as an explorer for oil. It can hardly hope to repeat the spectacular success of the huge Middle East discoveries of the old Anglo Persian Oil company, or the more recent finds in Alaska and the North Sea. However, it hopes that new technology – such as aerial surveys that can sniff out oil and three

'BP will return to a more traditional way of exploring, going for areas with large possible reserves'

dimensional seismic techniques – can give it a healthy return in regions which have never yet been explored, including Alaska, areas of the Gulf of Mexico, Indonesia, New Guinea, Australia, and even perhaps the China Sea.

Meanwhile, the company's investment programme is strongly biased for the next few years towards the development of recent oil and gas discoveries in Alaska, the North Sea, the Gulf of Mexico and elsewhere.

This strong emphasis on the "upstream" part of the business inevitably raises the old question of how BP can escape from being a "two pipeline company," relying on the Prudhoe Bay field in Alaska and the Forties field in the North Sea, both of which are now set to decline steadily.

The acquisition of Britoil was part of an answer to that question, pointing perhaps to a further swoop when the company's balance sheet has recovered. The other part of the answer is an invigorated exploration push and perhaps a further move into gas, which has already widened the spread of the group's assets significantly.

As Mr Horton says: "We must find more oil." He points to the group's good record: its finding costs are among the lowest in the industry, at a little over $5 per barrel in the last two years and around $2 between 1981 and 1985. BP's profits are, however, already more closely geared to the oil price than those of its more broadly spread seniors Shell and Exxon. So is all this activity in effect a punt on higher oil prices?

Not a punt, Mr Horton insists, because the group's finances will be robust in the $15 to $20 range which everybody is predicting. But he also thinks there is a "good racing certainty" that prices will fly up in the mid 1990s as rising demand puts pressure on supply. If that happened, with even a moderate rise to $25 per barrel, BP will do extremely well. At the same time, thanks to the extraordinary advances in engineering technology, oil in remote and hostile areas can be economic at prices which would have seemed absurdly low five years ago.

For example, BP's new Endicott field, with production based on a man-made island a mile off the Alaskan coast, will make the same return on capital with oil at $18 per barrel as it was originally projected to yield when oil was at $28 per barrel.

Even so, in the seven to ten years for which Mr Horton can expect to occupy the chairman's seat at BP, he does not expect to see major developments of "unconventional" sources of oil products, such as coal conversion or extraction from shale. This is partly because the industry has become much more optimistic about finding new supplies of conventional oil and gas, and partly because of a much sharper understanding that demand can be choked off by rising prices. So plans for making petroleum from BP's huge gas reserves in Alaska are unlikely to be realised during his time at the top, he believes.

But most people outside and inside BP agree that he is not the man to be content with a decade of consolidation and cost-cutting, especially in a company which he sees as uncomfortably at the top of the second division, lacking a Far East presence to match Shell or sufficient spread of assets on the US west coast to look Exxon squarely in the face.

"By the end of my chairmanship I would like BP to be unquestionably in the first league", he says. This will not be easy. To achieve it by organic growth in areas where BP does not have geographical presence would be a slow process, he admits, while acquisitions could be expensive. "It's extremely difficult, either way." But that could have been said a week before BP launched its pre-emptive strike on Britoil or the mopping up of Standard.

With cash still pouring out of its Alaskan and North Sea pipelines, BP's debt to total capitalisation ratio can be expected to come down fairly quickly from its present level of over 40 per cent towards a more "comfortable" gearing – which, Sir Peter Walters always said, would be in the low 30s.

Then, or even before, BP would be poised to make a another significant jump in size, perhaps going for Unocal in California or Caltex in the Far East, the favourite targets discussed by BP watchers. Better still, perhaps, something that 95 per cent of people have never thought of.

OBSERVER

Sticking to the groove

■ Britain's three most admired companies are Shell, Glaxo and Marks and Spencer, in that order. Next come Sainsbury, Bass and ICI.

No great shocks there, with the possible exception of Bass. But if you go further down the list and analyse the breakdown, you may find a few surprises. For example, Greycoat, a property company too small to be much written about in the financial pages, ranks consistently high. It is the seventh most admired company in all sectors, number one in the property sector and is much praised for the quality of its management, its ability to attract and retain top talent, the quality of its products and services and its capacity to innovate.

This is, by the way, no ordinary list, reflecting consumer fads. It is a poll of 1,760 top British businessmen and financial analysts conducted by The Economist in conjunction with the department of management studies at Loughborough University. Some of the results are published in The Economist today; the full study is available for £20.

Many of the findings conform to current fashion. The companies that rank highly are, by and large, those which have stuck to their main sector. Conglomerates are out. Neither BTR nor Hanson make the list of the top 20 most admired firms, though BTR comes top in the responses on quality of management and Hanson is not far behind. BTR is also placed fourth in its value as a long-term investment, a category headed by Land Securities.

Reliability may be a more highly prized quality than innovation. Marks and Spencer comes close to top in virtually every category except its value as a long-term investment and its capacity to innovate, where it is not listed among the 10 leaders. The top marks for innovation go to Carlton Communications.

The winner in the banking sector is the Bank of Scotland, followed by Lloyds and S G Warburg. In food and groceries, the top three are Sainsbury, Tesco and Cadbury Schweppes in that order.

There is a possible surprise in the category headed "community and environmental responsibility". Shell, BP and ICI are all in the top six, clearly not yet victims of the green movement.

And it is pleasant to note that the group rated number one for the quality of its products and services is Pearson, the parent company of the Financial Times and, oddly enough, a conglomerate.

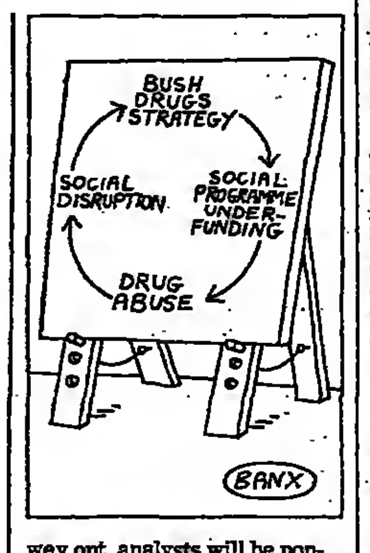
Careless

■ There has been a sharp exchange of letters between Kenneth Baker, the Conservative Party Chairman, and Neil Kinnock over the Labour Party leader's attitude to the trades unions. Kinnock prided himself on the speed with which he replied. But Baker yesterday had not received the missive: it was sent to his old address at the Department of Education.

Real wedding

■ In the excitement surrounding GEC's marriage plans for Plessey, the City seems to have overlooked this weekend's other power wedding. Although the engagement was announced many months ago, the son of Sir Derek Alun-Jones, Ferranti's 56-year-old chief executive, is about to make his final offer for the daughter of Sir Ernest Harrison, the 63-year-old boss of Racal.

Now that Plessey is on the way out, analysts will be pondering whether this latest joint venture is a prelude to something more permanent between Racal and Ferranti, both of which have been mooted as likely takeover targets over the years.



Racal came very close to being taken over by Cable & Wireless a couple of years ago, but was saved by the spectacular success of its car phone business. That means that its stock market capitalisation is now roughly twice that of Plessey. And while Ferranti is an obvious takeover target, Racal is a most unlikely suitor since it has become far more interested in car phones than the defence business.

British Aerospace is a possible candidate, but has its hands full with Rover and its new property ventures. Thus the suitors might yet be rich and continental: Siemens or Daimler.

World XV

■ There was some embarrassment among the largely English audience yesterday when a World Rugby XV for the 1980s was announced in London.

Not one Englishman made the squad, which was selected by Gareth Edwards, Jean-Pierre Rives, David Kirk and Ian Robertson to mark the launch of the 18th edition of the Rothmans Rugby Yearbook.

New Zealand secured five places and France three. Only Graham Price (Wales) and Colin Deans (Scotland) were included from the British Isles. The rest of the XV is made up of two Australians, two South Africans and a fly half from Argentina.

Betting man

■ High marks for forecasting to Justus de Goede, the Minister at the South African Embassy in London. About five weeks ago he placed a bet with Michael Holman, our Africa Editor, on the outcome of the South African election. His predictions were National Party 94, Conservatives 42 and Democratic Party 30.

The actual results were National Party 93, Conservatives 39 and Democrats 33. Since one other seat is due to be recontested because it ended in a tie between the National Party and the Conservatives, de Goede may yet have got the National vote spot on. Anyway, Holman is already forfeiting a bottle of champagne.

Ulster shame

■ The Europa in Belfast, once known as the world's most bombed hotel, has been recently revamped. The strongly church going population of Belfast might not be pleased to learn that central Belfast's premier hotel is now offering mild pornography on its internal TV system. Another film currently being shown on the system is The Naked Gun.

Mrs Margaret Thatcher's cold-turkey treatment has still not quite cured organised labour of its addiction to the drug of excessive power. For 10 years, Britain's trade unions have been denied the merest sip, with great beneficial effect, but it will take a few more years before all of them are completely free of the desire for another fix. As the creature is being tamed and reformed, so it is becoming less unlovable. Nobody fears the impotent.

I could not help observing, as I watched the chastened general secretaries address the modest annual gathering of the Trades Union Congress in Blackpool this week, that Dr Jekyll was really quite a fine fellow – if only he could kick his unfortunate habit. During the 1970s, he accepted ever-larger draughts of the potion that turned the TUC and its leading bosses into a monstrous threat to Britain's democratic society. The evil side of human nature became predominant.

You may think that the same thing is starting again now, with the ambulance drivers about to impose an overtime ban. This is unlikely. The current ambulance dispute is about catching up on the unfortunately rather high awards achieved by comparable public sector workers. It is a conventional battle over pay at a time of falling unemployment and high inflation; the kind that the railwaymen won with some public support during the summer. Its economic effect may be deplorable, but it is not a symptom of the destruction of orderly society, as seemed to be the case a decade ago.

During the winter of 1978-79, some trade unionists denied the sick entry to hospitals, while a few others declined to bury the dead. The elected Government was regarded with contempt, first by the unions, and then by the electorate, which threw it out and put the Conservatives in. That did the trick. A decade later, Mr Hyde's TUC is a fading memory.

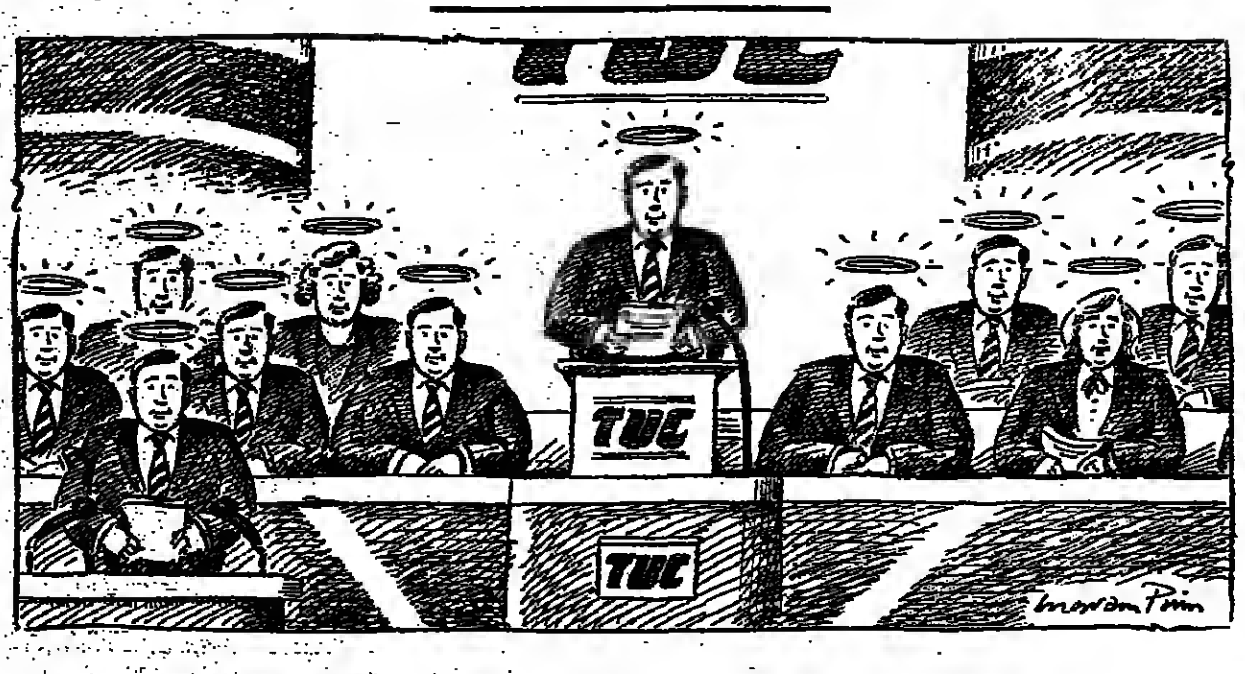
Fading, but not yet gone. Most British voters can still be brought to recall that experience. Any faint stirrings towards the old days should therefore be resisted by the leader of the Labour Party, Mr Neil Kinnock. He is not finding this easy. There was some difficulty on Tuesday, when the TUC conference voted in favour of repealing large sections of the industrial legislation enacted since Mrs Thatcher became Prime Minister in May 1979. In particular, it wanted unions to be protected from claims for damages from employers, or sequestration of their assets.

The Conservatives immediately saw their chance. Mr Norman Fowler, the Secretary of State for Employment, must have been hunched over the live BBC-TV broadcast of the proceedings, for he produced an almost instant statement to the effect that the TUC resolution would place unions above the law and no remedy would be available to anyone affected. Mr Kinnock, presumably not wanting to upset the sensibilities of Dr Jekyll by referring to his alter ego's baser tendencies, went around saying that the vote was broadly compatible with the policy of the Labour Party – while trying at the same time to intimate that, actually, it wasn't. The energetic new chairman of the Conservative Party, Mr Kenneth Baker, took full advantage of this yesterday. He wrote an open letter to Mr Kinnock, asking for an explanation of where the party stands on trade union legislation. It is not difficult to imagine his ear-to-ear predatory smile as he licked the envelope.

We must assume that the Labour leader will put this matter right before long, preferably by issuing an unequivocal statement of what a Labour government would repeal and what it would enact. In the absence of such a declaration or something like it, the Labour party would be so vulnerable to attack from Messrs Fowler, Baker and others that the present season of taking it seriously once again could draw to an early close.

That potential reversion apart, the TUC is now showing the decent side of human nature. I do not mean by this the clever side: the Empire Ballroom at Blackpool has this week been filled with salt-of-the-earth types: men, and a few women, of the doughty nature that stood Britain in such good stead during the hostilities of half a century ago. Those who addressed it did not, however, come across as particularly smart. They were mostly on their best behaviour, deeply conscious of the fact that their convocation has been a dress rehearsal for the forthcoming Labour Party conference, and painfully aware that if they have no other strength left, they do retain the power to guarantee Mrs Thatcher another term of office by reminding voters of what organised labour at its worst can do.

POLITICS TODAY



Joe Rogaly looks at the happier side of trade union nature

A Congress on its best behaviour

The nearest anyone came to a display of deep class-based emotion was when Gerald W. McEntee, vice-president of the American Federation of Labor-Congress of Industrial Organisations, said that "perhaps it's unfair to blame Mrs Thatcher for my country's many difficulties, but Sir Ronald had to get his ideas somewhere, as it has been established beyond doubt that he's never had one of his own." Labour – what we in Britain would call working people – was under attack in both countries. "At home, the hostility of employers, government, and courts has reached levels of intensity not seen for a half century or more." Threshing the air, Mr McEntee went on to say: "whether it's called Thatcherism or Reaganomics, what we are up against . . . is the idea that government should be run for the benefit of those who don't need benefits."

He duly received his ovation. Perhaps some of those who cheered this radical-sounding American understood that the issue facing organised labour in Britain is whether it will slowly be crunched into insignificance, as has happened in the US, or whether it will become quasi-institutionalised, as in much of continental western Europe.

It might be thought, after 10 years of Mrs Thatcher, that the matter is settled, and that Britain is heading the American way. This is not yet certain. Recent opinion polls suggest that British trade unions are less unpopular than they were 10 years ago. The arguments about the social dimension of the future European Community may produce a climate in which the TUC, and its member unions, enjoy a mild resurgence.

Take the speech given in London last night by Sir Leon Brittan, now our most tactful of European Commissioners. Sir Leon's delicate task appeared to be to persuade 11 of the member governments of the EC to so amend the proposed social charter that it becomes acceptable to Britain, the twelfth, while at the same time persuading Mrs Thatcher, in whose Cabinet he once served, that an amended charter is worth accepting.

"The United Kingdom . . . should not automatically assume that any reference to worker participation implies workers on the boards of companies on the German model," said Sir Leon, talking to Downing Street. Adequate recognition would have to be given to the diversity of company organisation and industrial relations that exists in Europe today, he went on, talking to the other 11. "Most large companies also realise that it is in their own interest to inform and consult employees about major developments affecting the company wherever possible," he told the world at large. In Britain, the financial participation of the workforce in industry was widely encouraged.

A TUC possessed of greater cunning and sophistication than was in evidence in Blackpool this week could do much with material like this. It would be positive about employee share ownership schemes, and promote its own presence in fostering them. It would make it more worth companies' while to inform and consult their employees through recognised unions than in direct contacts with the workforce. It would build on Europe-wide companies' experiences of profit-minded unions in other countries in order to make similar relationships in Britain. Sir Leon's speech on the social charter gives the TUC very little of what it can reasonably aspire to, but the climate of opinion created by the debate could be turned in its favour.

My guess is that most of Britain's trade unions are not up to playing the game that way. They understand very well that the events of the late 1970s have served to destroy their former influence over governments, but they are still concentrating their energies on a return of Labour, which they hope will be a government they can influence. They know that they cannot say too strongly, or too clearly, what it is they expect to gain from such influence, which is why they were all on their best behaviour at Blackpool this week. The old firebrand socialism of some union leaders was hardly heard; broadly social-democratic policies, echoing those in the Labour party review, were meekly accepted. A strong dose of environmentalism was injected. This is a TUC seeking respectability as an adjunct of a centrist-leaning Labour party.

It is not yet a TUC that can grasp the complexities of finding a permanent role for trade unions in the evolving European economy. That would require a quite different focus. There was much about the TUC's need to provide services to individuals to arrest the decline in membership, but very little about the need to understand markets, prices and the profit motive. I am not talking about toadying unions: many employers still need very careful watching by employees' representatives. But old-fashioned bloody-mindedness is no longer the efficient way. A few British union leaders have brains enough to grasp this – John Edmonds and Rodney Bickerstaffe are two outstanding examples – but the culture in which they operate makes truly original thinking unattractive. No wonder so many of them long to go back to the bubbling, smoking beakerful of magic that once made them all feel so huge.

LOMBARD

Misfits from Yalta

By Bruce Clark

Mr Tzannis Tzannetakis of Greece and Mr Tadeusz Mazowiecki of Poland have much in common.

Not just looks, approximate age, and the fact that each man unexpectedly, became Prime Minister this summer.

They are also united by a European culture in which they are deeply versed. Furthermore, they are linked together by their principled opposition to totalitarianism; and by memories of jail.

In both cases, the reasons why such learning, humanity, and integrity were rewarded with prison, not respect, are bound up with their respective countries' status as Yalta's misfits.

Greece and Poland required very great ruthlessness (from Churchill and Stalin respectively) to nail them down to their places in the post-war settlement – and have given the superpowers sore heads ever since.

Mr Tzannetakis was jailed by military officers and anti-Communist zealots; Mr Mazowiecki by military officers and Communist zealots.

Both the colonels who ruled Greece from 1967-74, and the Polish generals who imposed martial law in 1981, were self-appointed maintainers of the East-West balance.

And only because of the current melting of Yalta's fetters could Mr Tzannetakis form an administration including Communists, and Mr Mazowiecki be nominated as a Catholic prime minister by an anti-Communist movement, without fear of a superpower backlash.

Yalta, where the Allied summit of February 1945 took place, is a catch-all term for a series of deals between Germany's enemies. A crucial step towards tying the geopolitical knot had been taken in Moscow in October 1944, when Churchill proposed to Stalin: "How would it do for you to have 90 per cent predominance in Romania, for us to have 90 of the say in Greece, and go 50-50 in Yugoslavia?"

Churchill recalls how he wrote this out on a sheet of paper, adding a 50-50 proposal for Hungary and a 75 per cent Russian share in Bulgaria.

"(Stalin) took his blue pencil and made a large tick . . . I said: 'Might it not be thought rather cynical if it seemed that we had disposed of these issues, so fateful to millions of people, in such an off-hand manner? Let us burn the paper.' 'No, you keep it,' said Stalin."

By the end of 1944, resistance fighters in Greece and Poland had concluded that their allies were very cynical.

In August, the Red Army had stood by while the Nazis crushed the Warsaw uprising, softening Poland up for a Soviet takeover. By December, British troops were fighting for control of Athens with a Communist-led resistance which enjoyed large (though certainly not universal) support.

People like Mrs Jean Kirkpatrick would object, plausibly, that it is permissible to use force to avert Communism, because the resulting regime will eventually soften – and impermissible to use force to impose Communism, a regime *from which there is no return.*

Mr Mazowiecki's appointment suggests that the final clause is wrong. It is a pleasant surprise.

In Greece the summer's surprises have been no less agreeable. A Socialist government had failed to heal Greece's "internal" Yalta: the chronic left-right split. But a conservative-communist coalition is succeeding – prompting one of Athens' most cynical commentators to speak of "miracles of compromise".

Equally hard men use equally strong language to describe the recent pace of the Vienna talks, aimed at dismantling the wider Yalta, or at least its military implications.

Unravelling such an arrangement is as complex and dangerous as defusing a bomb.

Mr Mazowiecki, with his dignified pledges to respect the Warsaw pact, probably understands that better than Mr Andreas Papandreou, the swaggering Yalta-buster who preceded Mr Tzannetakis.

The new Prime Ministers of Poland and Greece may be too nice and too wise to survive long. But we shall need more leaders of their calibre, and more "miracles of compromise," if the pot-holes of the road from Yalta are to be negotiated.

LETTERS

'Spivs and arbs'

From Mr Alex Hammond-Chambers.

Sir, David Waller's article, "Days of decision for institutional investors" (September 6) is an excellent commentary on an important and topical issue. There are a couple of observations worth adding.

First, a significant number of shares of a target company are in the hands of "spivs and arbs" by the time a bid is under way; in these and other cases, the accept/reject decision is determined by short-term profit and/or record building for marketing purposes. These shareholders are in no way concerned with the responsibility of being a shareholder.

Second, what is the point of votes attaching to ordinary shares if fund managers, whose (only) "real expertise is in buying and selling bits of paper," are charged with the responsibility of exercising control of British industry and commerce through those votes? It is a dangerous dilemma.

Alex Hammond-Chambers,
Ivory & Sime,
1 Charlotte Square,
Edinburgh, Scotland

PEP and PAYE

From Mr Stanhope White.

Sir, Why do we need PEP (personal equity plan) fund managers? Would it not be possible for a taxpayer and his Inspector of Taxes to do all that is required?

With my tax return I could submit the contract notes for shares bought (or sold) during the year, and the counterfoils of the dividend warrants in respect of those shares. Repayment of the tax paid could be either by cheque direct, or by a variation of the payer's PAYE (UK "pay-as-you-earn" tax system.)

Over the years, the inspector would build up a record of the shares held. Non-appearance of dividend warrant counterfoils would indicate some change in shares held, so shares could not be disposed of without his knowing.

Stanhope White,
40 The Glade,
South Cliff,
Scarborough, North Yorkshire

Credit to the trade

From Miss Gillian Cutress.

Sir, I was interested to read Mr Terry Maher's response (Letters, August 30) to your report (August 26) that Mr Robert Maxwell has stopped supplying the Dillons chain of bookshops because of unacceptable delays in payment.

Mr Maher, a professional accountant in charge of a multi-million pound business, likens bookshops to supermarkets where "up to two times the value of stock . . . is financed by suppliers."

As a very small (two-person) publisher of a popular series of guide books, we see the situation from a different perspective. We view the policy of Pentos, in taking extended credit, as indefensible. Having only recently been paid for books supplied to Pentos six months previously, we have stopped stocking Pentos shops, in spite of having ordera from its branches round the UK.

We are not prepared to make Pentos unauthorised interest-free loans to enable it to build its business at our expense. But, of course, we have no clout.

On Mr Maher's question, "Which pnhlishers do not obtain 90 days" credit from their own suppliers in the printing industry?" I would suggest that he is out of touch with publishers at the smaller end of the range. The advice from and the reliability of a printer is vital to the small publisher; taking advantage of the printer by delaying payment is not conducive to a useful working relationship.

We pay our printers on a 30-day credit term basis. No doubt many in the business world will accuse us of "naivety;" we prefer to use the word "integrity."

G.M. Cutress,
The Factory Shop Guide,
34 Park Hill, SW4

From Mr Martin E. Simons.

Sir, Mr Terry Maher makes interesting points ("Bringing the books trade up to date," Letters, August 30) in discussing credit terms in the books trade, and Mr G.P. Henderson has made a telling rejoinder (Letters, September 2).

One reason why we now have giant multiples – the Argylls, Boots, Marks & Spencer, Sainsbury, Tesco – growing by the day, turning UK retailing into a duopoly – is that UK credit arrangements are more generous for retailers (particularly valuable because of our high interest rates) than is the practice in north west Europe and north America.

The main UK retailers, with enormous market shares and power, continue not only to get substantial credit, which covers fast moving stock about one and a half times (at Marks and Spencer, about 50 per cent), bnt they also expect their suppliers to carry stock for delivery on a just-on-time basis.

Furthermore, some have taken unauthorised credit at the expense of UK manufacturers. A few big manufacturers do the same – and enhance their cash resources for takeovers or to earn extra interest, with dire consequences for their smaller suppliers.

Food manufacturers or book publishers who are kept waiting for their money (to quote hut examples) have little recourse, because the big boys can relegate to hack shelves the goods supplied by those who make a fuss when settlement is not made on agreed terms of trade. This is one reason why food manufacturers are merging or being taken over: to provide counter-clout against the multiples. (Let us beware lest the UK is left with only two or three food retailers. Such a trend will cause the Nestlés and the Unilevers to get even bigger.)

What does Mr Maher mean by "90 days credit"? In the UK we have a ludicrous system for settling indebtedness in industry. Payment for goods is normally once a month, either on the 20th or on the last day of the month following the month of invoice.

So 90 days credit can be between 90 and 120 days before taking into account delayed payment. At an interest rate of, say, 15 per cent a year, that is between 3.75 per cent and 5 per cent of the invoice value.

It is urgent to harmonise UK credit arrangements with those of north west Europe and north America, where payment terms are 30 days after date of invoice; or 2 per cent off for payment within 10 days.

Snch a procedure removes the present buyer advantage of manipulating the day of delivery to maximise credit, elimination of which, in turn, would hring invaluable distribntion economies for the whole of British industry.

Martin E. Simons,
24 Granard Ave, SW15

Country care under contract

From the President, Country Landowners Association.

Sir, The welcome given in your leader ("Protecting the countryside," September 5) for the Pearce report adds weight to the arguments for an environmental land management service – already proposed by this association.

Professor Pearce supports the principle that society should put an economic value on natural assets like the landscape (just as it does on, say, motorways). The environment land management service provides a way for the public then to choose, if it wants, in favour of enjoying and conserving those natural assets.

Landowners and farmers can provide the public with the environment it wants at the price it is willing to pay. Landscapes, habitats for flora and fauna, and recreational areas for local communities are examples.

This can be done now, under simple contracts to give a service for an agreed price. In many cases local authorities will be the customers; in others, central government. Of course, if landowners do not deliver what they have promised, they will be subject to all the penalties to which a contractor is liable who fails to fulfil his side of an agreement.

G.E. Lee-Steere,
Country Landowners Association,
16 Belgrave Square, SW1

As a matter of fact . . .

From Mr Gerald Roberts.

Sir, Michael Prowse tells us: "Children are not empty pots which need to be filled with as many facts as possible. The point of education should be to develop children's skills and enable them to think independently" (August 30). But *about* what, *with* what? How can people reason, and develop skills, without facts to work on?

I am less interested in what children think than *why* they think it. In Mr Prowse's view of education there would be no "why;" we would end up with loud-mouthed citizens saying what they feel – not think.

Gerald Roberts,
Holmewood House,
Langton Green,
Tunbridge Wells, Kent

FINANCIAL TIMES
Friday September 8 1989

LABOUR MAY OUST LIBERALS IN POWER PARTNERSHIP

Lubbers to lead new-look Dutch coalition

By Laura Raun in Amsterdam

THE DUTCH Prime Minister, Mr Ruud Lubbers, has proved again that he is the country's most popular politician in post-war history.

The only clear winner in Wednesday's general election, he is virtually assured of a third term as Prime Minister and a chance to burnish his image as a European statesman.

The Rotterdam millionaire intends to share out the rewards of his earlier austerity policies in order to clean up the environment and fatten shrunken social services.

Less clear is precisely what kind of government he will head – a right-of-centre or left-of-centre coalition. Mr Lubbers' Christian Democrats may abandon the Liberals, their former right-of-centre partners who lost heavily in Wednesday's election, in favour of the opposition Labour Party.

Queen Beatrix received Mr Lubbers and a stream of other political leaders yesterday to hear their advice on forging a new coalition government. Given the ambiguous election results, the Queen was expected to appoint an informateur who would lay the groundwork for a formateur to assemble a cabinet.

General Election Results

	1989	1986
Christian Democrats	54	54
Liberals	22	27
Labour	49	52
Democrats 66	12	9
Green left	6	3
Small right-wing parties	7	5

Lubbers: ready to spend the savings of earlier austerity policies on the environment and social services

All the political parties met separately in caucus yesterday to stake out their bargaining positions. The formation, an intricate Dutch dance, is expected to take around two months.

The former Christian Democrat-Liberal coalition saw its total tally narrow to 76 seats in the 150-seat parliament. The Christian Democrats remained the largest party with 54 seats, pointing to Mr Lubbers as formateur.

The slim governing majority, due to the Liberals' five-seat loss, is seen as a threat to government stability. The opposition Labour Party also lost three seats, however, ending up with 49.

For Mr Lubbers continuing the old coalition is attractive because common ground has been established. The Christian Democrats hold a dominant position, giving Mr Lubbers wide latitude to call the shots.

However, a newly pragmatic Labour Party, led by Mr Wim Kok, might be just the kind of challenge Mr Lubbers enjoys. The Socialists are desperate to get back into power after political isolation on the opposition benches for nearly 12 years.

Labour's desire to govern could be tested by their willingness to accept huge income tax cuts next year, which they have vociferously opposed. Indeed Belgian Prime Minister Wilfried Martens plumped for the opposition Labour Party after his centre-right coalition saw its ruling majority pared uncomfortably last year.

Regardless of the new government's complexion some lines are clear. A sweeping National Environment Plan to clean up pollution will be carried out and probably strengthened even though it brought down the former government last May.

The welfare state's safety net will be mended where holes have been punched, notably in social benefits, state pensions, health care and education. Much more divisive will be the issues of euthanasia and commercial broadcasting.

By 1991 Mr Lubbers will be the longest serving Prime Minister in Dutch history and leading his country into the brave new world of a genuine Common Market. Only 52 years old then, he is seen by some as a choice candidate to follow Mr Jacques Delors when he steps down as European Commission president.

Mr Lubbers would probably welcome the challenge.

US steps up drugs drive as extraditions begin

By Lionel Barber in Washington and Sarita Kendall in Bogota

US President George Bush yesterday took his anti-drugs campaign to the country as the first reputed Colombian drug trafficker caught in the crackdown arrived to stand trial in the US.

Mr Eduardo Martinez Romero was flown out of Bogota on a Drug Enforcement Administration (DEA) aircraft and was due to be handed over to US marshals in Atlanta yesterday afternoon.

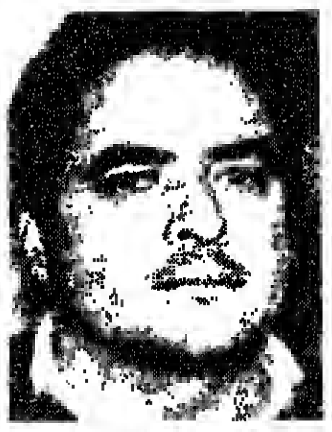
Mr Bush, speaking to an American Legion Convention in Baltimore, said the extradition of Mr Martinez "sends a strong signal of the courage and determination of President Barco and the Colombian Government to deal with the scourge which drugs are afflicting on all of us."

US officials said the extradition marked an important test of Colombia's pledge to facilitate extradition of suspected drugs traffickers to the US.

The Justice Department has already handed over a "most wanted list" of 12 top traffickers and is believed to be preparing extradition requests for at least another 80 people prominent in the cocaine trade.

Mr Martinez is said to be the treasurer of the Medellin cartel which is responsible for 80 per cent of the cocaine entering the US. He is wanted on money-laundering charges involving over $1bn.

Nevertheless, he is only a middle-ranking figure. The Colombian Government has put out television spots offering a reward of $250,000 for information leading to the capture of Mr Pablo Escobar and Mr Gonzalo Rodriguez Gacha, the two leading figures behind the drugs business.



Eduardo Martinez Romero (above), extradited; Juan Ballesteros (below), a Honduran convicted by a US court of running a Los Angeles-based cocaine ring with Colombian connections

Although the top cocaine traffickers are thought to have stayed in Colombia during the crackdown of the last three weeks, experts doubt that they will be caught and extradited via normal channels. Only one of the king pins – Carlos Lehder – has been flown out to answer US drug charges in the last five years. It is widely believed that tip-offs have allowed the big fish to escape.

The Colombian Government's new extradition procedure – which rests on executive rather than court approval – still awaits a ruling on constitutionality by the Supreme Court. On Wednesday the Interior Minister asked Congress to pass legislation which would incorporate the state of siege decrees into Colombian law.

The minister outlined a three-point anti-drug strategy centred on international co-operation, strengthening the judicial system, and rehabilitation programmes, including crop substitution.

Despite the Colombian extradition move yesterday, Mr Bush's $7.8bn plan to cut drug consumption in the US continued to meet criticism yesterday from Democrats who want to spend more money. Most Democrats agree that Mr Bush's opposition to new taxes rules out extra revenues for crime programmes, so they are struggling to reallocate money within the existing budget.

The White House proposed cutting domestic programmes such as refugee aid, economic development assistance and housing subsidies – all favourite Democratic programmes – to find an extra $700m for the anti-drug plan.

Overall it calls for a $2.2bn increase over the current fiscal year, though outlays will only rise by $1.6bn.

Mr Bush intends to make drugs his number one domestic issue over the next few weeks. Yesterday, however, he issued a call to Congress to support his defence budget, saying a House of Representatives version which cut funds for the Stealth bomber and the modernisation of the land-based nuclear deterrent was "totally unacceptable."

In Colombia, meanwhile, rumours of further retaliation by the traffickers proliferated after Mr Martinez's extradition. The families of military and police officers as well as judicial employees have been threatened, and an army officer's wife was killed by gunmen. There have been more than 24 bomb attacks in the last 15 days leaving at least three dead and 100 injured.

Apart from direct damage to banks, restaurants and the national daily El Espectador, the terror has begun to affect ordinary business.

The Hilton Hotel in Cartagena, Colombia's main tourist city which has been virtually unaffected by the violence, reported 3,500 person-night room cancellations. Visits by foreign groups have been postponed.

MBB chief urges easing of arms export rules

By David Marsh in Bonn

A RELAXATION of West Germany's restrictive rules on arms exports was urged yesterday by Mr Hanns Arnt Vogels, chairman of Messerschmitt-Bölkow-Blohm, the country's biggest aircraft manufacturer.

Mr Vogels' call was made on the eve of the formal decision today by the Bonn Economics Ministry to allow the takeover of MBB by Daimler-Benz, the motor conglomerate. The move will create one of the world's most powerful aerospace, engineering and arms groups.

In a speech to aerospace industrialists, Mr Vogels welcomed the planned merger as "a courageous move" increasing West Germany's aerospace muscle.

The clear implication of Mr Vogels' remarks is that the federal republic is preparing to compete far more strongly with Britain and France – as well as with the US and Japan – for international aerospace projects.

Making clear his dissatisfaction with "emotional" discussions about German defence exports, Mr Vogels urged uniform European guidelines covering sales by companies involved in collaborative projects such as the European Fighter Aircraft.

Bonn's current regulations forbid weapons sales to "regions of tension" such as the Middle East. This has led to controversy about deliveries to developing countries of aircraft and missiles made by European consortia in which West Germany is a partner.

The Daimler-MBB merger, the climax of four years of hotly disputed manoeuvrings, is certain to be approved today by Mr Helmut Haussmann, the Economics Minister. He is expected to announce conditions for the takeover involving the sale of Daimler and MBB's small naval technology activities – areas which Daimler sees as only peripheral.

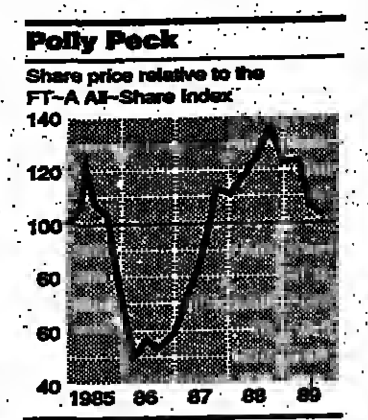
MBB is also likely to have to divest its 12.5 per cent stake in Krauss-Maffei, manufacturer of the Leopard battle tank. This stricture is almost entirely cosmetic because the participation involves no technology link-up. Mr Edzard Reuter, the Daimler chairman, has said he is not interested in the stake.

In his speech yesterday Mr Vogels criticised present co-operation between the US and Europe. "Europe needs an arms industry which keeps us from dependence on the US and which is also efficient enough to allow a genuine two-way street [in arms procurement]," he said.

THE LEX COLUMN

Tropical paradise for Polly Peck

Yesterday's recovery in London, especially since there was no lead from Wall Street, was impressive. There have been no nasty earnings surprises among the major corporates reporting, sterling has bounced back a bit, and it only needs the sight of another mega-bid to send this market into new high ground.



Polly Peck

A million tons of bananas, half the pineapples in North America, a £268m rights issue and the Del Monte brand name add up, it seems, to a 26 per cent jump in Polly Peck's shares. The run-up, after news that it is buying Del Monte's fresh fruit business for $875m from KKR, brings some *deja vu*. Cynics will say they have been here before, and regretted it. But Del Monte is much superior stuff to the rag-bag on offer from Polly Peck five years ago. While applauding this deal, there are still enough quaries about the way the group is run to justify restraining the euphoria.

Buying Del Monte on 12 times 1988 earnings is a coup, for which Polly Peck may thank anti-trust laws which could have hamstrung US rival bidders. Given ever-stronger global demand for all-year-round fresh fruit the multiple looks low. Castle & Cooke, owner of Dole fresh fruits, is trading on Wall Street on a p/e of 20; and Del Monte, with margins slimmer than Polly Peck's, has been growing after-tax profits 24 per cent each year.

Nor can one fault the financing. Polly Peck's gearing will be 108 per cent, but some of the $550m of debt involved may disappear swiftly; about $200m of it covers Del Monte's obligations to buy nine new ships, which Polly Peck reckons it can sell on at a profit, and Del Monte has $85m of net cash flow to look after the rest. But there is one false note. Polly Peck says it started licking its lips over Del Monte three months ago, when KKR's auction commenced; one wonders, then, why Polly Peck's managing director announced his resignation on June 15.

GEC/Plessey

The game of bluff in the GEC/Plessey battle is continuing right up to the bitter end but there is little doubt who is going to win. The FT-SE 100 has risen by over 100 points, or nearly 5 per cent, since GEC/Siemens launched their final 270p per share offer, making a cheap bid look even cheaper. Indeed, some institutions may even be feeling guilty at the ease with which they are abandoning one of the dwindling band of independent British electronics companies. But the issue is no longer one of arguing whether the price is right but has to do with the tactics of admitting defeat.

No doubt there are still some institutions which will doggedly hold out in the hope that GEC will fail to get over 50 per cent and Lord Weinstock and his German associates will be *forced* back to negotiate a quick and friendly deal at £3 plus. But this seems wishful thinking. Plessey has tied itself into such a knot with its GPT joint venture, that it has frightened away any would-be white knights, and the last salvoes in its defence have been rather feeble. GEC has cast its spell over Plessey, and if the bid were to fail, Plessey shares would probably drop to around 230p.

GEC/Siemens had no difficulty picking up 15 per cent of Plessey last time round, and though the market is higher, there is little reason why they should have much difficulty picking up control of Plessey now. By selling in the market, institutions get their cash early next week, rather than sometims in October, and this is an incentive which should not be sniffed at.

Cookson

Cookson supplies so many industries in so many countries that its figures offer an instant assesment on the world economy: according to the latest reading, the UK alone is really suffering. The 10 per cent fall in Cookson's UK profits – against a 50 per cent rise on the Continent – shows the downturn is already hurting at the far end of the production chain, and it is hard to believe that things are not going to get worse.

Yesterday's figures show the company is getting into a bind. Its strategy – which so far has been working well – has been to buy into growing markets to reduce its dependence on mature ones. The problem is that operating profits are now slowing just as the interest charge is rising. The squeeze is exaggerated by growing research and rationalisation costs, with the result that earnings growth is certain to be dreary over the next two years. Even though Cookson regards its 75 per cent gearing as irrelevant, its ability to finance future big deals must be limited.

Still, to downgrade the shares on such a basis is not sensible, as everyone knew Cookson is cyclical, and it should be good to see it looking after its future. That does not mean that yesterday's 17p fall in the shares was misplaced. There is no reason for the company to be on a p/e of 10 – unless there is a fantasist out there who believes there is money in breaking it up.

Saatchi & Saatchi

Either someone in deepest Memphis knows something abont the Saatchis that the rest of us do not, or else the top brass at *Southeastern* Asset Management should go on a refresher course. This obscure US outfit, which likes to think of itself as one of the ten best in the US, has judged Saatchi to be such a good investment it has put 3 per cent of its funds into it. Its criteria are a management that cares for its shareholders, a good cash flow and an undervalued share price. On recent form, Saatchi does not score highly on any of the above. While Wall Street may value agencies more highly than London, Saatchi's 13 times earnings is no cheaper than the likes of Interpublic, which has taken more conspicuous care of its shareholders than have the Saatchi brothers.

The alternative view is that a bid is on the way. However, it is doubtful that anyone would want to spend so much and even if they did, they would surely wait until Saatchi has either found a keen buyer for its consultancies or failed to do so, in which case it could surely be had more cheaply.

Mid-90s 'a critical time for oil' says new BP chief

By Max Wilkinson, Resources Editor, in London

MR ROBERT HORTON, named yesterday as the next chairman of British Petroleum, said it was a "racing certainty" that world demand for oil would outstrip supply in the mid-1990s, with the possibility of a sharp price increase.

In an interview to mark the announcement, Mr Horton said he hoped that the Organisation of Petroleum Exporting Countries had learnt the lesson of history that pushing the price up too steeply would not benefit the producers in the long run.

"I fully expect there to be a squeeze in the mid-1990s and I expect the real price of oil to increase as a result. But I would hope the real price would increase maybe to $20-$25 s barrel rather than $30-$35 or even $40," he said.

Mr Horton's warning of a price squeeze contrasts with the views of many oil industry executives, including those in Shell, that supplies will be plentiful enough to keep oil prices fairly weak until the end of the next decade.

"Last month the US imported more than half its oil. That is a straw in the wind," he said. "By the mid-1990s, I expect that Opec production, at 25m barrels a day, will more than satisfy their financial aspirations. At the same time the supply and demand for oil will have regained a tightness beyond a natural equilibrium."

Mr Hortou, 50, will take over from Sir Peter Walters, BP's present chairman, in March next year. The company announced that Mr David Simon, considered a close rival for the job, who recently rejected an offer of the chairmanship of British Rail, will become deputy chairman.

Sir Peter, who has been chairman since 1981, turned down the chairmanship of National Westminster Bank earlier this year.

Future of BP, Page 16

Signs of peace in US-EC meat hormone trade war

By David Buchan in Brussels

THE possibility thet hostilities might soon be scaled down in the long-running transatlantic meat hormone trade war emerged in US-European Community talks in Belgium yesterday.

Mr Raymond MacSharry, the EC farm commissioner, said there were signs of interest by certain US meat companies in shipping high-quality hormone-free beef to Europe, and if sizeahle shipments took place Washington should correspondingly reduce its punitive tariffs on certain EC food exports to the US.

This was the US retaliation against the EC's January 1 ban on $100m a year of US hormone-treated meat exports to the Community.

More than 200 cattle producers and some slaughterhouses in the US had been certified by EC inspectors as capable of supplying hormone-free meat, Mr MacSharry said, but US exports of this remained very small so far.

Mr Clayton Yeutter, the US agriculture secretary, confirmed that any increase in US high quality beef to Europe would bring a scaling down of tha US retaliation against tha hormone ban. But he said this would still leave unresolved the prohlem of hormone-treated US offal for the European pet food and pâté market.

He also warned the Commission not to impose a formal moratorium in licensing the BST milk-producing hormone, and urged Europe to follow the US in examining its scientific merits with an open mind.

The two men also discussed the timetahle for trying to resolve the EC-US differences over farm price snpport and export subsidies in the Gatt negotiations. They confirmed the impression that the hard hargaining would start only after both sides had submitted detailed position papers on all aspects by late autumn.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	23	73	Malta	C	27	81	Rhodes	S	29	84
Algiers	S	30	86	Edinburgh	C	12	54	Manchester	C	17	63	Rio de J'o	C	31	88
Amsterdam	S	23	73	Faro	F	21	70	Manila	C	33	91	Rome	S	25	77
Athens	S	27	81	Florence	S	24	75	Melbourne	S	15	59	Salzburg	F	17	63
Bahrain	S	35	95	Frankfurt	S	21	70	Mexico City	C	24	75	San Francisco	F	12	54
Bangkok	F	33	91	Funchal		–	–	Miami	S	27	81	Seoul	F	29	84
Barcelona	S	24	75	Geneva	S	20	68	Milan	C	22	72	Singapore	F	30	86
Beirut		–	–	Gibraltar	S	24	75	Montreal	S	19	66	Stockholm	S	18	64
Belfast	C	11	52	Glasgow	R	11	52	Moscow	S	19	66	Strasbourg	S	23	73
Belgrade	S	21	70	Guernsey	S	21	70	Munich	S	18	64	Sydney	F	16	61
Berlin	F	21	70	Helsinki	S	18	64	Nairobi	F	25	77	Taipei	C	33	91
Biarritz	S	27	81	H. Kong	R	26	79	Naples	F	27	81	Tangier	R	23	73
Bombay	F	28	82	Innsbruck	S	19	66	Nassau	F	31	88	Tel Aviv	F	30	86
Bordeaux	S	27	81	Inverness	C	14	57	New Delhi	S	33	91	Tenerife	F	21	70
Brussels	S	23	73	Islamabad	F	35	95	New York	S	18	64	Tokyo	R	29	84
Budapest	F	19	66	Istanbul	F	22	72	Nice	S	24	75	Toronto	R	19	66
B Aires	F	17	62	Jakarta	F	32	90	Nicosia	S	28	82	Tunis	C	32	90
Cairo	S	31	88	Jersey	S	23	73	Oporto		–	–	Valencia	C	21	70
Cape Town	S	16	61	Jo'burg	S	14	57	Oslo	F	17	63	Venice	S	21	70
Caracas	C	28	82	Lima	C	19	66	Paris	S	23	73	Vienna	S	19	66
Casablanca	F	25	77	Lisbon	S	25	77	Peking	S	26	79	Warsaw	C	19	66
Chicago	Fg	21	70	London	S	25	77	Prague	S	17	63	Washington	C	20	68
Cologne	S	23	73	Los Angeles	F	19	66	Reykjavik	F	8	46	Zurich	S	19	66
Copenhagen	F	19	66	Luxembourg	S	21	70								
Corfu	S	27	81	Madrid	R	16	61								
Dallas		–	–	Majorca	C	26	79								
Dublin	Dr	13	55	Malaga	F	26	79								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

BNL export credits scandal widens

Continued from Page 1

"Sure we will honour them," Mr Hikmet Mukhalif said in an interview with the Financial Times. "Wheu this issue cams out, all we asked was whether *the money was clean* and the answer was, yes it is clean money. Therefore we will honour our commitment. This is a well known bank and we are honouring our commitment to the bank."

Mr Mukhalif gave no further dcetails of the Iraqi guaranteed letters of credit, although they are thought to total about $1bn on deferred payment terms of *two* to five years.

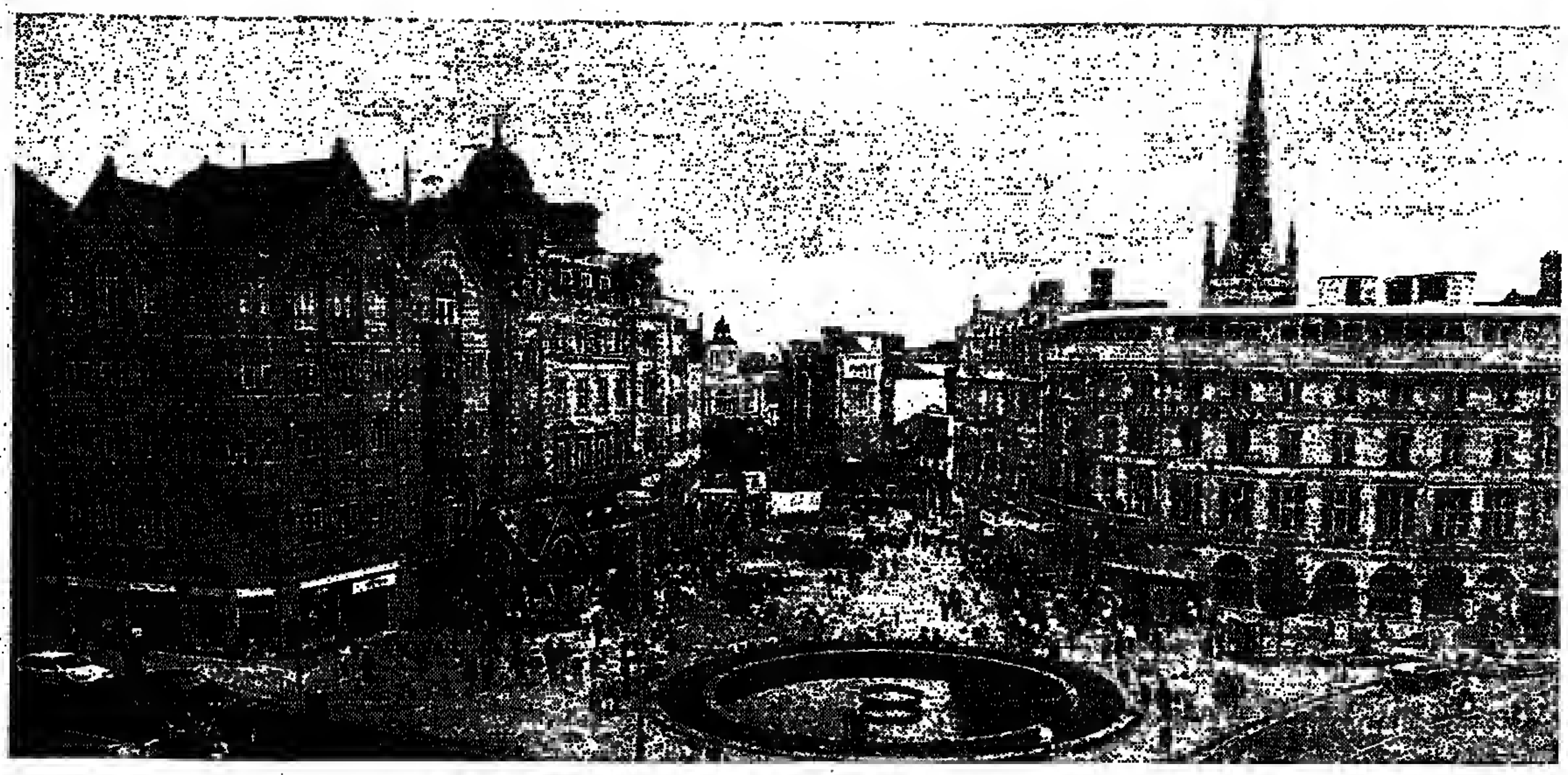
The Bank of Italy is understood to be considering a variety of extraordinary measures that could include the imminent shntting down of the Atlanta branch, a possible increase in BNL's overall bad debt loan reserves, the eventual slimming down of BNL's size by way of asset disposals and the rapid re-establishment *of internal auditing controls* and other safeguards that have been shown to bs severely lacking as a result of the Iraqi export credit scandal.

Background, Page 2

SECTION III

FINANCIAL TIMES SURVEY

Sheffield was rocked by the restructuring of its steelmaking and other industries. Unemployment rates trebled in 1980-83 and political conflict broke out. Yet today's Sheffield is a model of co-operation between public and private sectors. Ian Hamilton Fazey reports.



Sheffield

A lesson in partnership

THE SOUND of Sheffield today is different from what it was but different, too, from many other northern cities in Britain. There is still the reverberating thud of drop forges and the hiss of steam from water as it quenches hot metal, but much less of that. The new sound is of human voices talking to each other.

They used to shout at each other across a divide; municipal socialism on one side, the city's capitalists on the other. Sheffield lost 18,000 jobs between 1974 and 1986. Unemployment rose from under 4 per cent to nearly 18 per cent in the six years from the election of the first Thatcher government.

It was not all Mrs Thatcher's fault, although Government policy steepened the rate of decline and collapse.

There was s world recession in the early 1980s and pressure from Brussels to reduce the European Community's overcapacity in steelmaking, the base of a Sheffield manufacturing sector which employed more than half the city's workforce as late as the early 1970s.

It was soon clear that any industry which survived was going to have to be mnch leaner and more efficient, nsing high technology to replace workers and reduce unit costs. So it has proved, with many Sheffield manufacturers now thriving.

Understandably, however, political reaction was drastic. Sheffield was seen widely as one of the homes of the "loony left", vying with Liverpool to be the ideological capital of what potential US inward investors call the "red belt" of Labour-controlled Midlands and northern cities and towns.

Political leaders joked that it was its own people's republic. The image stuck as private sector leaders lambasted the policies of a city council that demography had kept in Labour hands for six decades.

Within Britain or abrosd there were few outsiders who might have brought jobs, but most recoiled at the apparent conflict.

A vicious circle established itself. Local politicians blamed industry for losing and not replacing jobs. The council tried a municipalised solution, creating more jobs on the city's payroll and in the public services.

Cheap transport was snpposed to enable the unemployed to escape from being trapped in their homes. Improved council services were designed to improve everyone's lot.

Inevitably, there were rises in the rates — the local property taxes met in large part by the industry that remained. Private sector leaders protested that Sheffield's place at the top of a national league table of high rates would make it even harder for husinesses to survive, let alone move into the city or start up there.

The conflict was vitriolic. The city's chamber of commerce sounded like the Opposition in the House at Prime Minister's question time — as, indeed, might be expected since there was no effective opposition in the city council chamber.

Then, almost suddenly in about 1986, the stream of invective and public vituperation started to die down. Mr David Blunkett, then city council leader and as famous for having overcome his disability of blindness as for his political convictions, started to talk of talks that had been going on with the chamber of commerce.

Today there is not only dialogue, but joint action. It is not all sweetness and light, hnt there is something more substantial than a truce in the war. The war may well have ended, even though some left-wing zealots regret it. Serions reconstruction is under way in every sense. There is joint action on agreed projects and goals.

A political reformation has occurred, thongh no-one has abandoned their principles, or merely substituted them temporarily with pragmatism. Instead, new political mechanisms and institutions have been developed to get things done.

One is a company called Sheffield Partnerships Ltd, chaired hy Mr Norman Adsetts, now the immediate past president of the chamber of commerce.

He has two deputies. One is Mr Helen Jackson, a radical Labour politician who chairs the city's economic regeneration committee; the other is Mr Hugh Sykes, chairman of the Sheffield Development Corporation, which was imposed hy the Government against the city council's will.

The corporation's joh is the regeneration of the Lower Don Valley. This runs from Sheffield city centre to the neighbouring borough of Rotherham and was where the steel and metal bashing industry was based. Large swathes of its 2,000 acres are derelict. The Government is giving £50m for pump-priming to help fill them.

The almost supreme test of partnership was the way the corporation's arrival was handled. Elsewhere, unwelcoming councils have been bypassed under Government orders to the corporations to get on with it and set an example of project-led regeneration.

Instead, Mr Sykes has negotiated a concordat with the city council and has turned the corporation board into a means of reinforcing partnership hy having equal numbers of council and private sector leaders on it.

Its influence will go beyond the Lower Don Valley, for it will contribute money and know-how to Sheffiald Partnerships, ensuring a three-way split — council, private sector, and development corporation — on specific projects.

Projects are the enablers of partnership, concentrating minds on tangible goals, and away from ideologies, schemes and visions. Their scale, however, is nothing less than grand.

The highest profile internationally are the World Student Games of 1991, which comprise the biggest collection of sporting events outside the Olympics. Hundreds of millions of pounds are being spent, with the private sector footing mnch of the bill. Stadia are already well under construction.

The partnership is already looking beyond the games to their aftermath and how to capitalise upon them and use the residne of world-class facilities to long-term good effect.

But other projects are similarly important in cementing relationships, such as Sheffield's science park, which pulls the university and polytechnic into the partnership. Britain's Nstional Transputer Centre is one important piece of inwardly invested excellence in research which has resulted.

Such things are visible symbols that jaw-jaw is better than war-war. Another example is the restoration of Sheffield's Lyceum Theatre, in which Hepworth Ceramics, one of the city's longest-established companies, has played a leading role.

Business in the Community — the national umbrella organisatinn for the private sector's input to economic regeneration — has put Sheffield on its tourist trail for husiness leaders to learn how things should be done.

What is important, however, is that Sheffield did not learn these processes from anyone else — indeed, leaders of public and private sectors made what others have seen as the obligatory study trip to the US only last month.

The lesson of Sheffield for everyone else may well be that it learned its own lessons for itself, so that the conversion from war to jsw was born from within, possihly making it deeper and with more chance of longer life.

This almost spiritual parallel is not without merit, for the first stirrings that the slanging had to stop seem to have come from a cleric, as Mr Peter Newman, the Sheffield-based chief executive of Dsvy McKee's metals division, recounts.

"The Sheffield Forum of 1984-85 was a discussion group started hy the Reverend Michael Jarrett, vicar of Ranmore Church," he says. "It was one of the first groups of its kind, with 20 to 30 people meeting regularly to listen to invited speakers from all sides of the debate and to try to understand each other better.

"It was the origin of the partnership initiative between the chamher and the city. People realised that the decline of Sheffield had gone far enough. I don't rememher a single event. The realisation dawned that we had to do something about it ourselves. It just happened."

Mr Norman Adsetts says: "If we hadn't succeeded with our hid for the Games, there would have still been a partnership, hut it would be different. In 1986-87, a number of occasions and projects arose for business leaders and council leaders to talk to each other and I think we have used all the resulting projects well.

"I hope that when we look back we will see 1980-85 as an aberration in the history of Sheffield. In the 50 years before, there was consensus between the city council and the employers. There were differences hut no one moved too far outside the consensus.

"The sheer scale of what happened in the recession rocked everyone. What had taken several decades in other industries hit us here in just four years hetween 1979 and 1983. It knocked the stuffing out of the core of the business community. The hig employers were just no longer there.

"This gave the opportunity for a new wave of activism in the Labour group on the council. The private sector could not provide johs. People wanted intervention, with the council providing work for people. "But no-one was creating new wealth and in the end the Government, the national paymaster, was not going to stand for it. In 1986 the futility of that cycle was becoming clear.

Mr Adsetts pays trihute to Mr Blunkett for beginning a rapprochement from the city council's side. This enabled Mr Clive Betts, who succeeded Mr Blunkett when the latter became an MP, to start with a clean slate and capitalise on an existing momentum.

Mr Betts is now emerging as a national asset for the Lahour Party — a Socialist politician with power who is using it wisely to work with the privste sector, not against it, and to the mutual henefit of all.

Mr Sykes says: "Three years

Continued on Page 10

CONTENTS

Editorial production: Roy Terry
Photography: Michael Arron

■ The Orchard Square project opposite Yorkshire Bank has produced an attractive city centra vista down the pedestrienised shopping thoroughtare of Fergate

Ian Hamilton Fazey reviews the industrial infrastructure and unemployment trends

Different economic profile is emerging

SHEFFIELD'S unemployment rate has been in sharp decline since the autumn of 1986, when it peaked at nearly 17 per cent. The rate for Britain as a whole had peaked about nine months earlier at nearly 14 per cent. Both rates have been falling virtually in parallel since.

By midsummer this year Britain's rate had dropped to 6.3 per cent, while Sheffield's was 9.4 per cent. Does this mean, therefore, that Sheffield is merely benefiting from improvement in the national economy and the ripple northwards of the south-east's economic success?

Some evidence that Sheffield may actually be doing slightly better as a result of its own efforts and circumstances can be found by close examination of the statistics. Indeed, unemployment trends over the past 15 years shows the dynamics of change dramatically.

At the beginning of 1975 there was no unemployment in Sheffield to speak of, with a rate of 2 per cent which compared with just over 3 per cent for Britain as a whole.

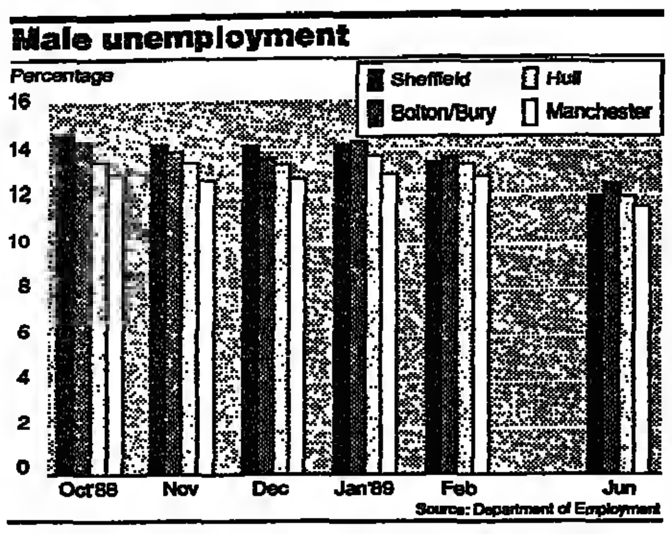
The gap between Sheffield's position and the national average then closed gradually during the rest of the 1970s. In Sheffield, it kept leaping up in big steps as large employers closed. It fell slightly in the months that followed each closure as the workforce adjusted and people found new jobs, but then there would be another stepped increase as one or more big closures followed.

By the time the national rate had plateaued at between 5 and 6 per cent in 1979, Sheffield's was the same. Both rates then leaped quickly during 1980-82 as recession bit and, in Sheffield's case, as the steel industry was restructured.

By the spring of 1983, both rates were past 12 per cent, but then diverged. The rate for Britain worsened slowly over the next four years but Sheffield's problems deepened as unemployment rose to a peak more than 3 percentage points higher than the national average, and the greater part of a year later.

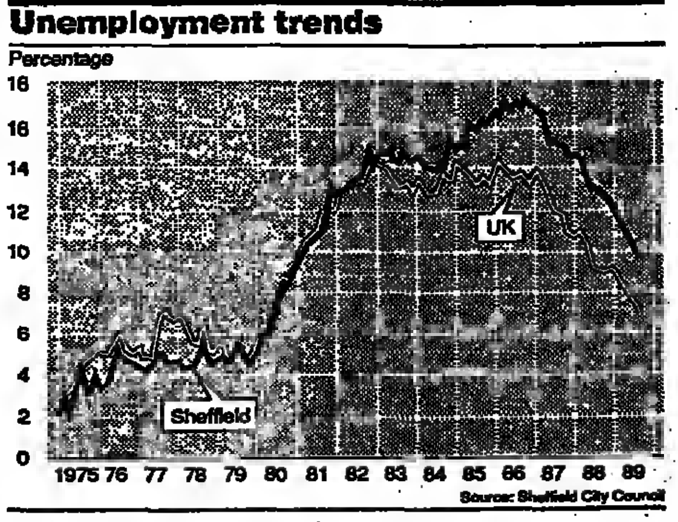
However, since Sheffield turned the corner there have been signs the trend lines are converging again. Sheffield may be closing on the national average slowly but this should speed up as the national economy slows if local factors really are at work in Sheffield.

Male unemployment



Source: Department of Employment

Unemployment trends



Source: Sheffield City Council

They may well be. An interesting feature started to emerge in Sheffield's unemployment trends last winter, a year after the city started to turn the corner. Sheffield had long been the worst of four comparable "medium-had" northern travel-to-work areas. Suddenly, it was not.

The four – two each side of the Pennines – were Sheffield, Bolton-Bury, Hull and Manchester. Comparing male unemployment rates eliminated distortions caused by differing part-time job opportunities for women. Last October, Sheffield's male rate stood at 14.6 per cent, compared with percentage figures of 14.5 for Bolton-Bury, 13.6 for Hull and 13 for Manchester.

By January, Sheffield was no longer worst. In February, the change was confirmed: Bolton-Bury was at 13.7 per cent, Hull and Sheffield at 13.6 per cent each, while Manchester's rate stood at 12.7 per cent.

In June the oew order seemed established: Bolton-Bury's rate was down to 12.5 per cent, Hull and Sheffield were 12 per cent each, while Manchester's rate of fall was slowing and was 11.5 per cent.

Apart from it looking as though the Yorkshire side of the north is recovering better than the Lancashire side, the unusual thing here is that Sheffield's trend line actually crossed Bolton-Bury's. Similar analysis of most northern travel-to-work areas shows such lines moving in parallel but with the league table of the areas unchanged. Clearly, something was prompting this.

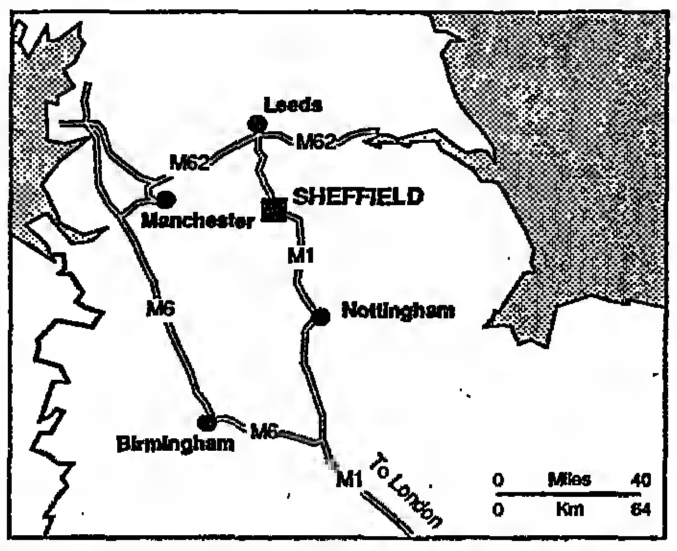
The one thing Sheffield has that the others lack is a concerted partnership of public and private sectors. The small, but discrete dip in unemployment in Sheffield seems to have coincided with the partnership becoming operational.

At the same time it has manifested itself in agreement over the way the Government-imposed Sheffield Development Corporation should work and the surge in construction activity associated with the Meadowhall shopping and leisure centre and the facilities for the World Student Games all coming around the same time.

Indeed, construction is one of the main sectors identified by the council's department of employment and economics in its survey of the city's labour market, published last autumn.

It reported modest increases in job numbers since a previous census of the job market four years previously. Then, there had been about 235,000 jobs of which 64 per cent were already in service industries, with manufacturing jobs in steady decline, from 35 per cent in 1981 to 27 per cent of the total. Men held 56 per cent of jobs; a quarter of all jobs were part-time, and held mainly by women.

By last year, the service sector's share of employment had risen to 68 per cent and manufacturing had declined to 23 per cent. However, the extent of the long-term change which this consolidates is indicated much more starkly by comparison with 1971, when only 44 per cent of jobs were in service industries.



The survey commented: "Sheffield is clearly no longer the manufacturing city it once was. By 1984, a third of jobs were in 'other' services, which includes public administration, education and medical services. This suggests the importance of the public sector to the economy."

The dynamics of change show a differant Sheffiald emerging from that of the city's image of smokestack manufacturers. In the 1970s it was predominantly a manufacturing city, with a profile very different from that of the UK economy as whole. By 1984, its profile was almost exactly the same as the UK's.

Since then, tha increasing share of joh market taken by the service sector – and continuing redundancies in an increasingly capital-intensive manufacturing sector – may well show a shift the other way, though there are no official statistics to confirm it.

However, a look at the change in payroll sizes between 1981 and 1988 among the biggest employers provides better than anecdotal evidence.

The city council remains the biggest employer with nearly 26,350 people, which is more than 2,000 more than it had in 1981. In contrast, British Steel went from more than 11,500 employees at the start of the decade to about 4,750 by the end among the several companies it fragmented into; Sheffield Foregemasters dropped from 2,646 to 1,735 and Davy McKee from 1,832 to 1,289.

However, job increases came at British Tèlecom, the Post Office, and the Trent Regional Health Anthority, with stability – as witnessed by relatively little change in payroll sizes – at the University of Sheffield and at Bassett, the confectionery maker.

These were big employers. What is not clear is the extent of the growth of smaller businesses. One indicator that something is beginning to move, however, is tha emergence of several venture capital funds for financing new or growing enterprises in the city: the market for risk always has to be a real one, offering chances of substantial gain. If the small business sector were not on the up, the funds would not have emerged.

Mr Barrie Briggs, managing director of Sheffield Enterprise Agency, says: "Wa have found in the small business sector a growing confidance among manufacturers. In the nine months to June 1989, £6.6m was invested in small business expansions and about 90 per cent went into manufacturing enterprises.

"The money came from grants, soft loans, coal and steel closure-area loans, as well as equity and commercial lending from clearing banks, merchant banks, finance houses and venture capital funds."

About 550 jobs resulted – not as many as shed hy many of Sheffield's remaining main employers individually during the 1980s but, Mr Briggs says, jobs that are likely to last in husinesses likely to grow. Other jobs have been created through self-employment.

The council's labour market survey reckoned growth industries would be construction, distribution, hotels, catering, repairs, banking, finance, insurance, and business services. There would be stability in such sectors as transport and communications, food and drink, paper print and publishing, rubber and plastic and jewellery.

Declina in labour needs would continue in energy and water supply, mining, metal manufacture, chemicals, and the metal goods, engineering and vehicles industries.

The big gaps in Sheffield's industrial infrastructure are in professional and skilled white-collar areas, which is why the city council felt it imperative to win a new Norwich Union administration centre for the city last month.

It sees this as a beginning and, possihly jnstifiahly so: there is about 1m sq ft of office space in the pipeline.

It will be some years before the final industrial and commercial profile of the city settles down. In the meantime the training industry looks like being a growth one, too.

With Sheffield likely to be awarded one of the first of the new Training and Enterprise there seems no lack of appreciation of what is going to be needed.

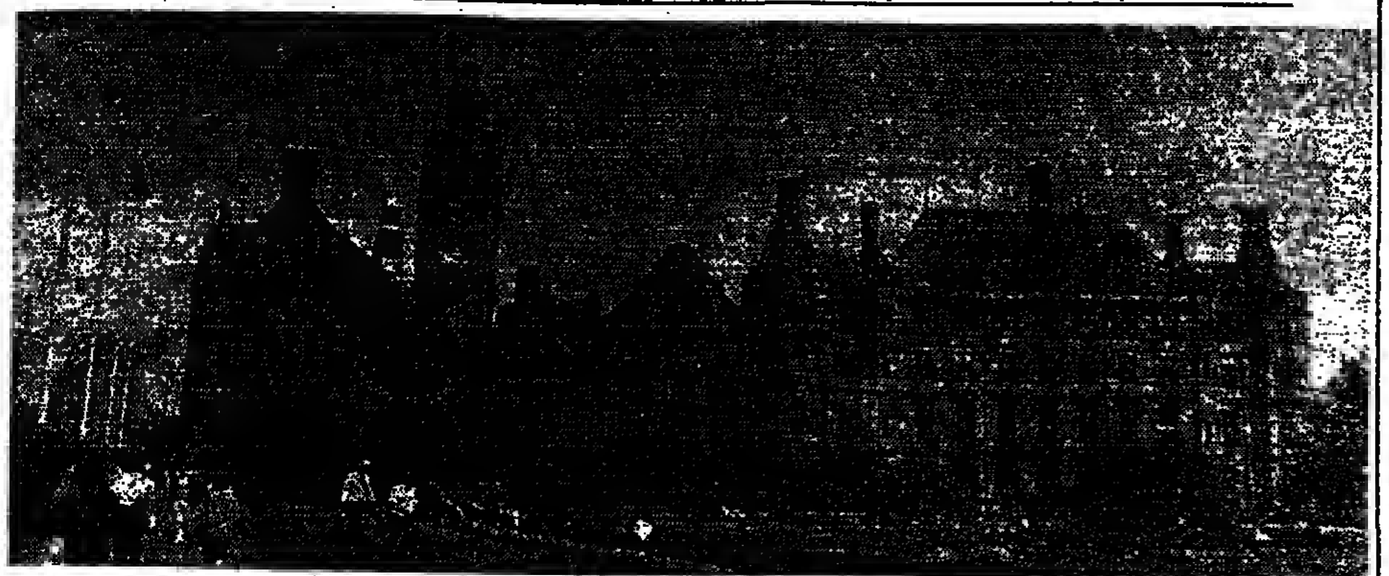
KEY FACTS

DEMOGRAPHIC	
District population (1988)	528,500
District population changa 1981-88	-3.3%
Catchment population (commuting area)	605,958
Catchment population changa (1981-88)	-2.9%
South Yorkshire population (1988)	1,299,014
Projected S Yorkshire population 1998	1,288,173
Age structure (1981)*	
0-4	5.0% (6.0%)
5-15	15.4% (16.3%)
16-24	14.1% (14.1%)
25-44	24.3% (26.3%)
45-pensionable age	20.7% (19.7%)
Over pensionable age	20.5% (17.7%)
SOCIO-ECONOMIC*	
Car ownership (1981)	
Households with no car	53.4% (39.5%)
Households with ona car	37.7% (45.1%)
Households with two cars plus	8.8% (15.5%)
Cars per household	0.57 (0.78)
Household tenure (1981)	
Owner occupied	43.0%(55.7%)
Rented from council or new town	46.0% (31.2%)
Private rented	8.2% (8.6%)
Other	2.7% (4.2%)
ECONOMY*	
Unemployment (travel-to-work area)	
May 86	13.2% (9.8%)
Jun 89	9.4% (6.3%)
Employment by sector (1984)	
Manufacturing industries	27.5% (26.6%)
High-tech industries	8.7% (14.6%)
Primary industries	4.4% (4.6%)
Construction	5.0% (4.9%)
Distribution, hotels & catering	19.8% (20.1%)
Retail distribution	9.6% (9.7%)
Tranaport & communication	6.8% (6.4%)
Banking, finance & business services	6.8% (9.5%)
Other aarvices	30.0% (28.9%)
PROPERTY*	
Residential	
Average house price (1988 mean)	£35,300 (£59,200)
Regional average house price	£36,900
Commercial	
Rate in the £	
1987-88	319.36
1988/89	347.27
Guide to prime rents	
Offices	Apr 89: £8.50 psf (Sep 86: £5.95 psf)
Retail	Apr 89: £160 psf (Sep 86: £100 psf)
Industrial	Apr 89: £2.70 psf (Sep 86: £1.90 psf)
COMMUNICATIONS	
Road	About 167 miles from London
Rail	Fastest journey tima to London 2hr 30min
Air	Manchester or East Midlands Airports

*Great Britain averaga in parenthesis

Source: Property Intelligence Ltd (Tel 01-839 7684)

Robert Waterhouse discusses the city council's policies



Town Hall: Sheffield City Council runs the fourth largest municipal operation in England and is not known for its reticence

Master of its own destiny

GLASWEGIANS soon took to the idea of their city being miles better. Bradfordians readily bounced back. But the people of Sheffield needed no hearts-and-minds slogan. In the darkest days of the mid-1980s their fierce civic pride was challenged by steel closures, heavy unemployment, rate-capping and inter-tribal feuding. It has survived, suitably tempered, to herald a 1990s where Sheffield is again shaping its destiny.

Sheffield City Council runs the fourth largest municipal operation in England and is not known for its reticence. When war broke out locally with the private sector allegations flew around, quite openly, to aggravate matters. After decades spent promoting Sheffield's benefits and improving the lot of its citizens the city council would not accept allegations that it was undermining business confidence, particularly when it claimed industrialists were running scared and leaving town.

Today's reconciliation, symbolised by Sheffield Partnerships Ltd and expressed through the Sheffield Economic Regeneration Committee, with its extensive non-council representation, leaves the local authority masterminding an urban renewal programme heavily dependent on private sector input.

By far the biggest venture, and biggest risk, is the 1991 World Student Games. The council, using market mechanisms, has underwritten £110m of infrastructure projects.

Peter Price, the council's deputy leader and Games *supremo*, recognises the dangers in such perceived lavishness when mundane but essential services are being pared back. He claims the worst post-Games scenario would leave the city having to find £8m a year from its global budget, and believes that the good the Games will do in regeneration and image-building more than offsets the risk.

Sheffield has negotiated a £4.5m grant from the European Regional Development Fund to renovate the Lyceum Theatre as the venue for a parallel arts festival. The Lyceum, opposite the Crucible Theatre, will give Sheffield a capacity to stage West End productions similar to Manchester's Palace Theatre or Bradford's Alhambra. The challenge facing the city is to find a way of absorbing the grant without Whitehall deducting parallel amounts.

Already stadia are rising from the dereliction of the Don Valley, where Sheffield Development Corporation boundaries have been drawn to exclude Games sites. (Having sworn it would never accept a UDC in its midst — another affront to civic pride — the city is working closely with the government-funded body). And at Hyde Park, classic 1960s high-rise council housing nearing the end of its life, the city has done a complex deal to provide a Games village with mixed residential afteruse.

The tallest block, dominating the Sheffield skyline, is being refurbished at a cost of £8m as Olympiade Towers. Afterwards comes demolition, making way for 224 new units to be built by housing associations for rent and by developers for sale.

Three other existing blocks will be refurbished, the biggest by Northern Counties Housing Association as 330 rented units, while the smallest forms 30 units for sale.

Once he had established housing associations would become the major operators, David Trippier, the Inner Cities Minister, took a great interest in the scheme. Altogether, it seems likely to qualify for £16m in Government subsidy.

A further 152 units at Hyde Park Walk, not in the student village, are to be refurbished then managed by a tenants' co-operative.

Sheffield anticipated recent legislation in securing a partnership scheme with the UK Housing Trust which will provide 4,000 new-build units over the next five years, some to be managed by the city council, others by housing associations and yet others sold. This forms a substitute for new council housing; in further efforts to maintain housing stock the city is offering 100 per cent "enveloping" grants for structural work on ageing terraces, mainly privately-owned.

Pragmatic though it has become on housing tenure, Sheffield is confident the majority of tenants will prefer to remain with the city as landlord. Similarly, education specialists claim opting out is not an issue here.

The city recently adopted a system of 11-16 high schools leading to tertiary colleges offering A levels, GCSE resits, full-time vocational courses, skills training, and adult and community education. It was the first education authority to agree a citywide training Compact and is in the van of TEC initiatives.

Sheffield's Employment and Economic Development Department, with a reputation for creative thinking, is seeing the first fruits of its technology initiative in the Cooper Building, where the Business and Innovation Centre is fully subscribed. Tenants, who can call on a range of back-up services, have been chosen for their potential at spawning new ideas and products. They include SCEPTRE, Sheffield Polytechnic's prototype engineering workshop, the National Transputer Support Centre, and the advance office of Sheffield Heat and Power.

Some companies have already made the leap out of the Cooper Building into real life. But the Science Park across the road, developed in conjunction with English Estates, has taken longer than expected to get going. Its first phase is now letting; units vary from 1,600-4,200 sq ft and prices from £6.50-£8 per sq ft depending on size.

Mr Brian Gould MP is due to open the city's Technology Park in the Don Valley this November. Here, one site is the city's responsibility while four others are being developed privately. Although space is available, it could be some time before the progression of businesses from the Cooper Building to the Science Park proper and on to the Technology Park becomes a reality.

A more recent Employment and Economic Development initiative involves establishing, next to the Science Park, the so-called Cultural Industries Quarter. This is centred on the former Kennings garage and showrooms whose 100,000 sq ft is available to businesses compatible with the well-established independent film production companies. There is to be a media and exhibition centre, while Sheffield has also mounted a bid for housing Channel 5.

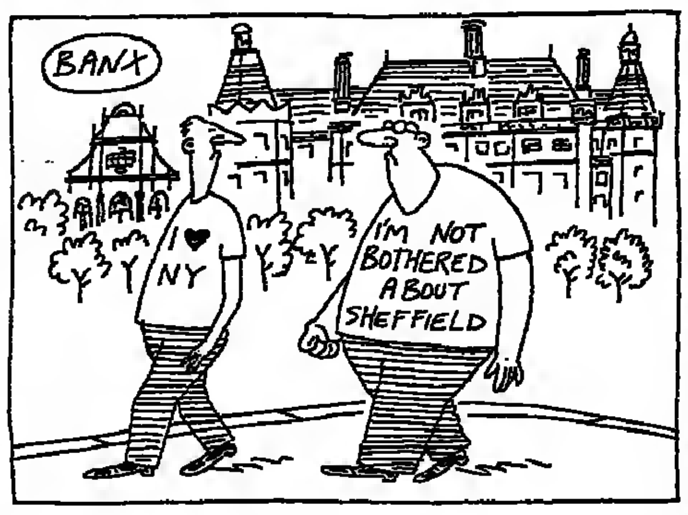
All this is a long way from steel. City fathers point to a £1.7bn investment programme, but retailing and leisure form the lion's share. Already, service industry accounts for at least 60 per cent of employment in the city.

Peter Price, the deputy council leader, admits he has only just come to terms with the fact that jobs in the sports and leisure industries are real ones and good for the city. He foresees Sheffield majoring on recreation-related business even though he has to watch his own recreation department slashing budgets, shedding jobs and mowing park lawns less frequently.

"Our Soviet twin city of Donetsk in the Ukraine enjoys more freedom than we do to spend budgets," Mr Price claims.

I'm not bothered, missis

Martin Davies, who was forged in Sheffield, looks with affection at the changing city



SHEFFIELD'S hills are legendary. Walking up and down them is said to give the girls super legs.

It used to be thought that car-dealers cut their trade-in price if they saw a registration plate with the local W in the middle.

The absence of a low horizon has been blamed for the people's insular attitude.

Between the hills flow the five rivers that once turned cutlers' millstones to give the city its first industry. Don, Sheaf, Porter, Rivelin, Loxley — their names are reassuring at a time of upheaval.

The nicest is on the south side: disused mills, dams and grindstones punctuate its course through some of England's pleasantest municipal parkland. The scruffiest is in the north, where its valley, scarred by the remains of more recent industry, awaits the kiss of life.

Even before the recession, Sheffield had faced an identity crisis. At the frontier of two counties, it was baptised in the Yorkshire faith; but because it once consumed a huge piece of Derbyshire, its soul has seemed to be in danger. Its speech differs from Barnsley's (14 miles north) or Chesterfield's (13 miles south) or even Rotherham's, just up the road.

For 20 years, ever since the motorway began to draw in new ideas, they have been turning the city upside down. Networks of streets in the centre and the inner suburbs have been replaced by fast roads and roundabouts with contrived names. Instead of the dignified blue-and-cream buses, there is a motley collection of shapes and shades. One-way systems and restricted turns make routes impossible that were once direct and logical.

Pedestrianisation of fine thoroughfares like Fargate and the Moor has robbed the centre of traffic and a sense of heartbeat. Where, only two generations ago, the trams swayed by, young people perch on benches with Coke and burgers. But couples no longer meet on Wilson Peck's corner. No coffee smells waft along pavements outside Field's, Thorpe's and Davy's. The names and interiors of shops are tediously familiar. Is this Anytown '89? No, it's still the Biggest Village in England.

Stripped of its old industrial clothes, Sheffield is seeking new ones; but, paradoxically, the removal of industry has amplified its attractiveness. The topography, particularly in such a splendid summer, is stunning. Countryside overlaps suburbs, like a garden seen through an open french window.

Life is slow, travel cheap, the atmosphere provincial, in the agreeable sense. Much of the refurbishment has worked well. Ecclesall Road, which runs from the city centre to the edge of Derbyshire, has become a ribbon of delights, with a huge variety of small shops — traditional pork butchers, atmospheric pubs, boutiques, furniture stores, restaurants, all intermingled with offices and student flats.

There is relatively little violent crime. The people are down-to-earth and sympathetic — qualities that are often misunderstood, because they are accompanied by a scepticism towards worldly success, particularly when it's achieved by Sheffielders who move south of Derby.

Change seemed to commence around 1966, when the city staged World Cup games. Buildings one had thought were built of coal suddenly shone golden, and baskets of flowers hung in the streets. Smoke was controlled, and soon Sheffield could boast that no industrial city in Europe had cleaner air.

About this time, a lord mayor took as his year's theme: Sheffield as a Tourist Centre. Many thought him daft, but he was a far-sighted chap who realised that everything changes. Local government boundaries were about to be redrawn; and the city, equidistant from Leeds, Manchester and Nottingham, risked losing status.

Suspicion of other places is in Sheffield's nature and may never be erased. Leeds was the business capital of the old West Riding. Doncaster had got the Great North Road, the main railway line from London to Edinburgh, a racecourse. Wakefield had the county offices and the assizes. Manchester was England's undisputed second city. Sheffield, in its saucer of hills, looked inward and fell in love with itself.

It had always been a heavy-industry city, with few professional people. The bosses lived in the west, the workers in the east. Pantomime comedians delighted each with jokes about the other's neighbourhood: (posh) Fulwood, (common) Attercliffe. There was no pushy middle class to provide new ideas that might transcend the nonsense.

The class war, which had hardened once Labour took control of the council in 1926, led eventually to the "people's republic", and is the reason why the current alliance between town hall and industry is so remarkable.

Sheffield is now looking at itself with greater detachment. Perhaps it will see truth reflected in the water of a purified Don. Perhaps the job-fishers will get a few bites. They might even hook a big one — but would Sheffield be able to land it?

Language reflects character, and Sheffielders are fond of a phrase that is more profound than it sounds.

"Thank you for repairing my washing machine, Mr Vulcan. Would you like a cup of tea?"

"*I'm not bothered*, missis."

This is not an expression of indifference. What Mr Vulcan actually means is: "Yes, I

Continued on Page 4

Ian Hamilton Fazey investigates the rebirth of a devastated area

Greening of the Lower Don Valley

MR PETER NEWMAN keeps a large aerial photograph propped against a wall in his office at Davy's metals division headquarters in Sheffield. "It looks just like a Second World War reconnaissance picture of a German city after a bombing raid, doesn't it?" he says.

In fact it is a recent picture of the Lower Don Valley, once home of the bulk of Sheffield's steel industry. There can be few similar pictures of such widespread devastation anywhere in Britain. The photograph is a constant reminder of one of Mr Newman's main part-time activities.

The Sheffield Development Corporation, chaired by Mr Hugh Sykes with Lord Mulley as his deputy, is in charge of reconstruction. Mr Newman, the Davy division's chief executive, is one of six private sector leaders on the corporation's 10-person board.

Dereliction of the valley brought the corporation into being, but it was a difficult conception and birth. The Government forced the body on an unwilling local authority last year and the way in which this particular conflict is baing resolved is central to Sheffield's chances.

For the Lower Don Valley was the city's industrial heart. It runs from Sheffield's city centre to Rotherham and was once a broad seven-mile strip of steel mills and heavy industry – the foundation of Sheffield's wealth, industrial power and worldwide name.

What happened to it between 1974 and 1986 was calamitous for Sheffield and sparked much of the political conflict that divided and bedevilled the city in the early 1980s.

In the 12 years of decline, eight large companies closed, creating instant dereliction for 35 per cent of the valley's 2,600 acres. About 18,000 jobs were lost – more than half the total in the valley. Sheffield's unemployment rate rose from 4 per cent to 18 per cent in the 10 years to 1984 as a result.

Local Labour politicians blamed the private sector for the loss of jobs and for nnt creating new ones. The council spent more on easing the lot of the unemployed and trying a municipal-led regeneration. Private sector leaders argued about the rising rates, which they said inhibited job creation. There was a vicious circle of abuse.

However, the valley remained an important national centre for the metals industry, with special steels manufacture and processing, cutlery and toolmaking, and scrap metal recovery. These accounted for 72 per cent of the remaining 17,000 jobs.

They were to be found in just under 200 businesses, or slightly fewer than half those remaining in the valley. However, 86 per cent employsd under 50 people each and were not well enough resourced to do much to turn the tide.

Such were the basic facts revealed in 1987 in a study by consultants, planners, surveyors and engineers from Coopers & Lybrand, Drivers Jonas, Crouch & Hogg, and Sheffield Polytechnic.

Significantly, the £60,000 for the study came jointly from the Government, Sheffield City Council and the local business community through the Chamber of Commerce. It was one of the first signs of rapprochement.

It also concentrated minds on the scale of the problem, which looked uphill all the way. The study revealed 80 per cent of the industry in the valley wanted improvements to the environment and infrastructure.

Confidence was rock bottom. Only one in 10 had made significant investments in the previous three years.

The report forecast that total investment of £516m would be needed over seven years. The case for an urban development corporation could hardly have been made more strongly, although the recent political history prompted the suggestion of special arrangements to enable the city to keep its planning powers over the valley. The Government would have none of that and imposed the Sheffield Development Corporation last year.

It extended the corporation's boundaries out of the valley to take in the city centre canal basin, stopped them at the M6 to exclude Rotherham's section of the valley, but turned them south-eastwards along the motorway to include the Tinsley steelworks area.

The total area worked out at about 2,000 acres and the budget of public funds was set at £50m over seven years. This looks almost derisory, for the area is big and the budget small compared with several other urban development corporations, which typically have been allocated three times as much to spend.

The Government's gamble is that the valley is so placed strategically that improving the environment and business climate will bring in private sector investment.

Confidence is the key here and in Mr Sykes the Government appointed a chairman who had support from all sides and who was already speaking on public platforms with city council leaders urging the attractions of Sheffield on potentially footloose industry.

"Partnership between public and private sectors is fundamental," he says. "If you haven't got that you are struggling from Day One. The city council is very radical but there are many common areas for us. We all put the good of Sheffield first. It's very difficult to argue against that."

The corporation is already pulling in investment but Mr Sykes's greatest achievement so far is probably in the field of political, rather than physical structure. The corporation and the city have signed a concordat to work together.

The contrast with other development corporations confronted by other left-wing councils is marked: London docklands had years of wrangle with Tower Hamlets; only this summer has Liverpool City Council ended a six-year embargo and allowed its leader to join the board of Merseyside's corporation; on Tyneside, the corporation's boundaries have been drawn to avoid Gateshead, the one borough which was unwelcoming to it.

What the Sheffield concordat means is that tha corporation will ensure that its work melds with efforts elsewhere in the city and vice versa. The council is strongly represented on the corporation's board.

Training is an obvious example of blurred boundaries: any business locating or expanding in Sheffield will be able to call on the "Quickstart" initiative set up by Mr Sykes's team to obtain customised training for its workforce.

The corporation's overall strategy is simple, in spite of the seeming size of its task. Basically it is abont roads, waterways, trees, land assembly and a good design.

These are elements on which a healthy business environment can be based. Mr Sykes believes Sheffield's good location, its reservoir of human skills and tradition for good quality products will attract investment if there is an obviously healthy place for it to go.

The valley is unpretty and depressing, a despoliation so vast that it appears beyond the human scale for coping

At present the valley is unpretty and depressing, a despoliation so vast that it appears beyond the human scala for coping.

It is difficult to find greenery anywhere. Even the weeds on rubble-strewn vacant sites look chlorophyllically anaemic.

The corporation will drive a new, dog-legged road through the valley to improve both passage and access. It will be a tree-lined boulevard and should relieve the look of unremitted industrialisation.

The environmental feel will be helped by opening up the River Don and the Sheffield and Tinsley canal, removing overgrowth and walls which hide the waterways from view for much of their lengths. An ecology park and waterside footpaths are planned.

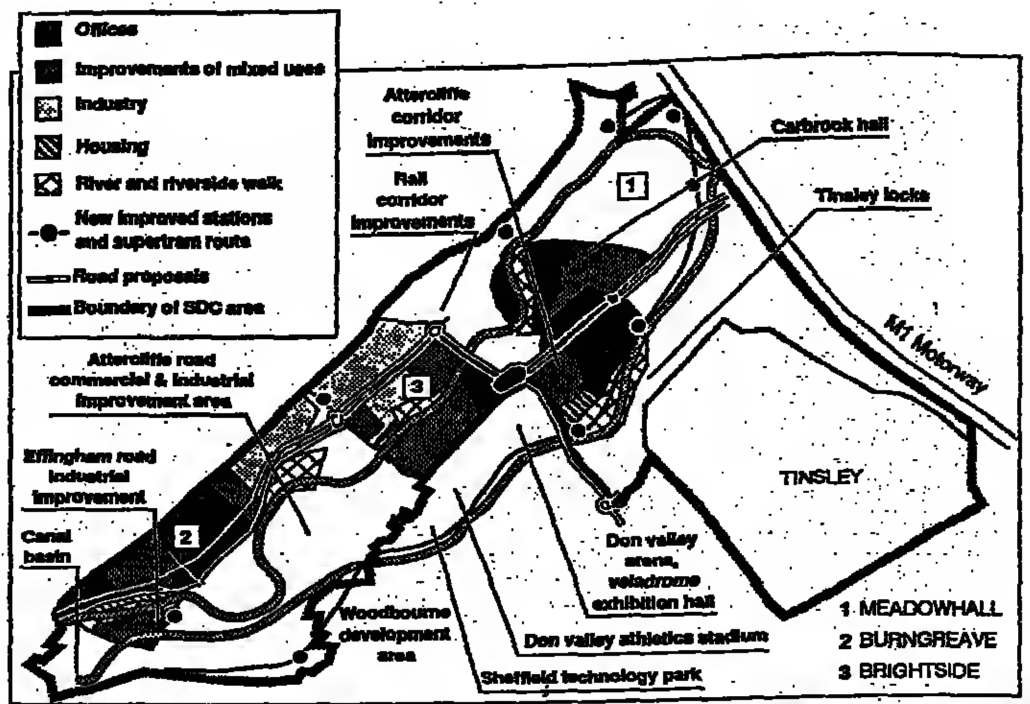
Compulsory purchase powers will be used to disgorge derelict land from the owners waiting for its market price to rise with the new optimism of the city.

Some signposts to the past will be preserved almost lovingly, such as a factory gate where union meetings were once held, and an industrial "canyon" formed by high walls and factories crowding a narrow road.

In four years' time, Sheffield should at last get its airport, a short take-off and landing strip to be built on an open-cast mining site at Tinsley where activities are to be wound down by 1993.

A supertram, or light rapid transit system, funded by £52m from the European Community and the private sector, will link the valley with the city.

New buildings will have to blend with the old, some of the latter irredeemably ugly, but Mr Sykes is hoping to counter the problems through a design panel he has formed. This is already insisting on bettsr modern design but is also making davelopers keep and enhance the character of Victorian areas.



Investment is already under way, with Stadium Developments' £250m Meadowhall retail and leisure complex at the motorway end of the valley and Shearwater's £56m canal basin waterside project in the city centre, tha latter partly funded by the Government's urban programme.

Glenlivet Properties is building a £3½m business park while Project Management Developments is putting up a £2m complex of offices. Marks and Spencer is coming in with a large warehouse complex, to be run by Christian Salvesen.

All of these developments will help tilt the valley towards a better spread of commerce and industry, although it will probably always be dominated by manufacturing.

Mr Sykes thinks that good quality will be the single most important factor in the valley's regeneration, in terms of design, development, environment and, ultimately, the goods and services sold from there. "Quality made Sheffield's name," he says. "We intend to ensure that the name of Sheffield remains synonymous with it."

Hugh Sykes: in charge of reconstructing the Don Valley

I'm not bothered

Continued from Page 3

would like one. But you must realise that I (a noble artisan) am doing you (a member of the devitalised boss class) a favour by accepting your offer."

Suppose Sheffield's fairy godmother were to prodnce polite and munificent men from the Orient, bearing a bright idea:

"Don Varrey ideal prace for automobile mega-prant. Propose build ten million 4½-wheel-drive Japonica hatchbacks in year-one. Make Detroit look like Chipping Sodbury. Many jobs, much joy. Sheffield people light cigars with fivers. Biggest civic bun-struggle since Wednesday win Cup in '35."

"Mm-mm... I'm not bothered."

The polite and munificent angels would need more than a translator and a phrase book. They'd best hire a native guide as they cross the Rother at Catcliffe.

Stewart Dalby reports on the Student Games project

Sporting chance of a winner

MANY towns and cities in Britain have tried various kinds of promotions to attract new industries and investment. Sheffield has taken the unusual route of using sport to help sell itself as a city in the throes of economic regeneration.

Sheffield has won the right to stage the World Student Games in 1991. The Games, known as Universiade '91, will, the Sheffield backers claim, be the largest sporting event ever held in Britain, even bearing in mind the 1924 Olympics and, presumably, the 1966 World Cup. They expect 6,000 competitors from more than 120 countries will participate. This would make the Games second in modern-day terms only to the Olympics and bigger than the Commonwealth Games.

The city anthorities have committed more than £120m through the Sheffield Leisure and Recreation Trust, which is a registered charity created in September 1987. This covers six large, new sporting facilities at a cost of £111m. The main ones are or will be:

■ The Ponds Forge sports and leisure complex right in Sheffield'a city centre. This will house a 50-metre 10-lane swimming pool, of Olympic standard.

■ The Don Valley athletics stadium. This will have an eight-lane 400 metre track with a 10-lane straight. It will have a seating capacity of 40,000.

■ The Don Valley Arena, just a few hundred metres from the stadium. This will be the venue for the gymnastics competitions, as well as the basketball and volleyball finals.

In addition, some £11m is being spent on refurbishing the old Lyceum Theatre and other cultural centres for the arts and cultural festival which is to accompany the Universiade.

These are the projected capital costs. As an event the Games are being financed separately. A private, commercial company, Universiade GB Ltd, has been set up to run the Games. The company reports to the Leisure Trust, and is provisionally looking to raise £35m to cover the cost of the Games and the cultural festival.

The sums have been done on the basis of aggregating estimates from the five departments under the direction of Mr Peter Burns, the chief executive of Universiade GB. These five departments are finance and administration, the operations department, the marketing department, human resources department and the cultural festival directorate.

Mr Burns, a lively Liverpudlian who was head-hunted for the job after being an executive with Reed International, feels the cost might turn out nearer £30m. Given that the city council is contributing only £1m, this could still be a lot of money to find.

Although student sports have been popular in the US and eastern Europe, they have never really been great spectator events in Britain. The Oxford and Cambridge boat race is popular. The varsity rugby match at Twickenham is also well patronised. But student cricket and student athletics are not greatly supported. The Games themselves have never before been staged in Britain, so audience response is an unknown quantity.

Mr Burns says: "I've no doubt that we have a great marketing job to do, and we have already started doing it. Bnt look at something like American rules football. When Channel 4 started televising it a few years back, everyone thought what a quaint idea. Now you cannot get a ticket for an actual game in London for love or money."

He adds that the Sports Council and other bodies have more or less agreed to give £3m. "To get 10 per cent of the project cost like this is not a bad start," Mr Burns says. "I reckon we are already set fair for about £10m one way or another."

There will be franchising and production of all kinds of memorabilia, including sweatshirts, T-shirts and track suits. There will also be people paying to get in.

"Don't forget this," Mr Burns says. "We reckon there are 9m people within an hour's drive of Sheffield. Despite the doubts about student sports we are confident the Games will be well supported."

However, around 60 per cent of the funding will have to come from sponsorship, especially brand sponsorship. Mr Burns has some experience here in that he was instrumental in getting Crown Paints to sponsor his beloved Liverpool FC.

One thing Universiade GB will not have to build is a Games village. Right next to Ponds Forge is the Hyde Park housing estate. This is a high-rise housing complex owned by the council. Although fashionable in its day, it has become acutely unpopular, and has only 20 families left in it. It has 1,200 units so could house all the competitors.

Assuming, however, that Universiade GB can find the money for running the Games, it is still relevant to ask, why a city council which was rate-capped by the central government for overspending has decided to commit more than £100m to a project which could go wrong.

Although the funds have been raised through the banks and the trust is entitled to certain tax advantages, ultimately it is the rate-payer or poll tax-payer who will have to fund the interest and capital payments. What are likely to be the on-going benefits of staging the Games and having such extensive sports facilities?

To understand the reason why the decision was taken to go for the Games it is necessary to look at the background of Sheffield in the early 1980s. When the steel indnstry, far and away the largest employer, collapsed in the recession of those years there was virtually a state of siege between the left-wing Labour-controlled city council and private business interests. Each blamed the other for the hardship Sheffield suffered.

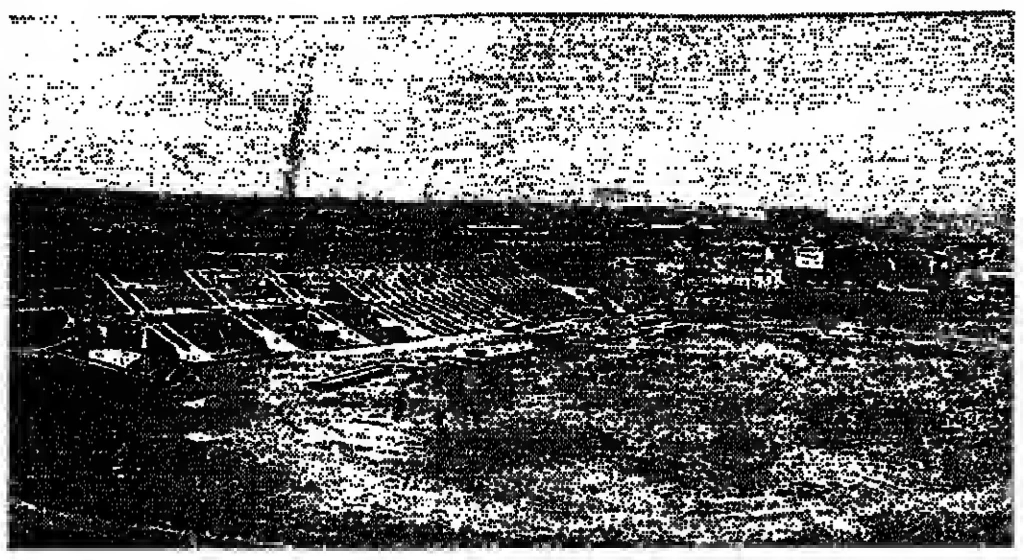
The council increased rates to keep going what it saw as essential services. The private sector accused the council of discouraging new investment. It was not until the mid-1980s when the Labour leadership changed and the council was rate-capped that both sides realised they had to find some form of partnership if Sheffield was to climb out of its stagnation. The World Stndent Games, according to Mr Howard Knight, a Labour councillor and chairman of the Finance Committee, was "the best neutral focus we could think of to get Sheffield moving again."

The Games were something all the people of the city, whatever their ideological persuasion, could subscribe to. They would be a morale booster for a town which had remained in the doldrums longer than most large towns in Britain.

Attempting any kind of cost/benefit analysis of a sporting extravaganza is always difficult because some of the spin-offs, such as raising the city's profile internationally, are not immediately qnantifiable. Some of the facilities, like the arena, will be used for other events such as exhibitions, and should meet their costs on a recurrent revenue basis. The athletics stadinm might be taken over by Sheffield United as their football stadium. Swimming pools are usually a loss leader. But leisure is a growth industry, and Sheffield, in any event, is in need of city centre leisure facilities.

Certainly Sheffield can reasonably hope that other major sporting events will take place in the city. The cultural festival, unlike the Games which will run for only two weeks, will last more than two months. It will be the largest arts festival in Britain in 1991 and hopefully will attract major international names in opera and the theatre.

Whether the cultural festival or the Games make vast sums of money, or whether the facilities break even when the athletes and artists have gone, is not really the point. Both events will raise Sheffield's profile nationally and internationally. They will be one important demonstration that the war between county hall and business is over and that the city is on the move again for the benefit of all its citizens.



Left: Peter Burns, chief executive of Universiade GB: "We have a great marketing job to do." Above: Don Valley athletics stadium, now under construction, will have an eight-lane 400 metre track. The seating capacity will be 40,000

Robert Waterhouse reviews the private sector and the community

Polish for a tarnished image

SHEFFIELD is blessed with a body of high-profile "movers and shakers", the private sector leaders putting their names and energies into the city's regeneration. Hugh Sykes, Norman Adsetts, Richard Field, Don Lyon – these are the people who crop up whenever the word partnership appears, and it appears constantly in a Sheffield context.

Their aim, which has shown results in a short period, is to convince the outside world that Sheffield means business. First came reconciliation with Sheffield City Council after years of very public rowing which led to arrangements, some formal, for co-operation between the public and private sectors. Out of this flowed a stream of initiatives.

Perhaps only Sheffield could, straight-faced and best-suited, take the train as 200 ambassadors to the Mansion House to tell the City of London about rediscovered civic pride. But, says, Mr John Hambidge, director of the Sheffield Chamber of Commerce, this visit of Spring 1988 did the trick. In a matter of months investment was flooding back into Sheffield.

Mr Hambidge, an adopted son like many of the city's leading figures, has positioned the chamber as a mainstream co-ordinator of interest groups. It was instrumental in the creation, also during Spring 1988, of Sheffield Partnerships Ltd, the joint body whose key purpose is to promote a positive image for the city. Last year's chamber president, Mr Norman Adsetts, chairman of the Sheffield Insulations Group, is also chairman of Sheffield Partnerships.

"1988 was all about getting the message out," Mr Hambidge says. But the chamber, which has 1,450 constituent members and a staff of around 100, had forged the co-operation theme some time before. Back in 1986 it created an Image Working Party, bringing a cross-section of Sheffield people to the task.

During 1987 the Coopers & Lybrand report commissioned by the city council's Sheffield Economic Regeneration Committee (SERC), underlined the need for substantial central government funding to bolster the regeneration process.

The chamber was quick to accept that the only mechanism available to administer this infusion, an urban development corporation, was politically difficult for the city council.

So Mr Hambidge took on the status of broker, representing the private sector in a deliberately conciliatory stance. The crucial move proved to be an exchange of personnel between SERC and the UDC's board: seven directors came with SERC credentials. The UDC could be – and is – seen as a local operator rather than an imposition from Whitehall.

"Our role was to make the join between the city council and the development corporation invisible", Mr Hambidge suggests.

Of course, the Lower Don Valley, former steelmaking heartland and UDC territory, accounts for only part of Sheffield's industry and little of its life at present. Like the city council, the chamber's brief runs much wider.

"We place a high priority on spreading the benefits of new investment across the city, particularly to those who most need them – the unemployed," says Mr Hambidge.

He points out that 12 per cent of the male workforce is still without a job, and that figure shelters a high proportion of long-term unemployed, including many unskilled or semi-skilled people.

The chamber pressed hard for a Training and Enterprise Council (TEC), and Sheffield's is to be among the first in the country. However, because of the YTS and ET schemes it administers (its ET contract is to place 900 adults) the Chamber decided to distance itself from TEC practicalities. It also recognises that the TEC concept has been tough for a local authority to accept. Indeed, training has proved one of the first real tests of partnership.

Compact is a different matter. Here the chamber worked together with the local authority to develop a city-wide approach for linking secondary school pupils with prospective employers in the Sheffield Education Business Partnership. As demographic forces have their way, and new industries start to mature, Sheffield's continuing challenge is likely to be a skills shortage.

In this context Mr Hambidge welcomes the development corporation's Quickstart initiative, modelled on a scheme in Atlanta, Georgia, which guarantees incoming industries custom-made training programmes in advance of their opening in Sheffield.

Finding younger people in the business community to take the load off the Norman Adsetts or Richard Fields of Sheffield's world is a different problem altogether.

"There's such a demand on their time that they often can't even fit in breakfast meetings. We've got to identify the next generation," says Mr Hambidge.

For the moment, though, the emphasis is on the painstaking and sometimes painful business of making partnership work. Disagreements do happen; compromise has to be sought.

"There is a strong feeling across the partnerships that continuity is more important than single issues. We are a large family, and we have our differences. But we remain friends. Nobody has left home yet."

Jim Kelly looks at the core area of development

City's centre of attraction grows

A DECADE ago Sheffiald's famously frequent cream-liveried buses used to announce their destination as simply "Town". Today, in the deregulated world, they bead instead for the "City". It is a difference in perception on the threshold of becoming a reality.

Sheffield's problem is that it's "centre" is a sinuous spine along the high ground between the Don and Sheaf valleys which stretches a mile-and-a-half and houses in a linear corridor an estimated 85 per cent of its "city" shops.

Along the spine are three "centres"; on The Moor, in Town Hall Square, and beyond the "Hole in the Road" subway complex at the "Markets". Surveys show shoppers can visit only two out of the three on each visit.

But "cityhood" appears to be at hand. "A City Centre for People", the Sheffield Central Area Local Plan, published in 1986, envisages a series of "jewel" davelopments set in the "crown" of an improved environment.

In 1985 there were 20 hectares of open development sites off the main spine; today, according to Mr Richard Alty, chief assistant planning officer, major development schemes are in place on nearly all of them. "They are all serious development schemes."

They represent, under the umbrella of the city council's plan for Sheffield entitled "A city centre for people", a £300m investment designed to flesh out the spine and in partnership with private enterprise to encourage office development, housing, social amenities, and a carefully designed urban environment.

Retailers note a "dramatic" improvement in relations with the council and the process of public consultation which preceded the publication of the plan produced that near mystic sign of approval: the absence of a public inquiry.

Shopping subway: Sheffield's "Hole in the Road" of a different kind

Through planning gain the council estimates it will have increased the 3,500 population of the city centre to 4,500 and it hopes that people will bring the city back to healthy life after dark.

A good example of the kind of development engendered under the plan is that at Cambridge Street, a £30m retail, car parking and residential, complex built around one of the old small cutler's works at Leah's Yard.

H.L.M. Architects won a competition for the site which will incorporate a crèche, art gallery, and 25 flats for a local housing association. It should create 1,000 jobs, and will be connected across the road to the Cole Brothers department store which will benefit from the 800 parking spaces.

The "walk-through" nature of the complex is designed to link in with the central spine while broadening it around Town Hall Square and hopefully bringing new life to one of the missing links in the central area.

Across the city the Castlegate Scheme, beside the Hole in the Road, is a £100m project on three levels providing 300,000 square feet of retail space alone. The council hopes that some of the city's constricted High Street stores will use the complex for expansion.

Inside, the developers are to set aside 16,000 square feet of "community space" to be administered by a Voluntary Trust – another example of the council's determination to gain through the regeneration of the commercial sector benefits for the public sector.

But all is not entirely rosy in this municipal garden. The council is worried that the developments will throw into stark relief the public sector "links" between the new centres. Many of the city's subways are in need of refurbishment and the Town Hall coffers are under strain.

Transport, and the confrontation of pedestrians and cars, is another problem. The availability of parking spaces is only 50 per cent of demand in the core area while one third of the 6,000 spaces within 200 metres of the spine are provided on open sites.

In the short term, as they are developed, the squeeze will be on. Mr Alty admits: "There is a lot of concern among retailers about the situation at the moment."

But after redevelopment, with many of the schemes incorporating parking lots, an extra 3,700 spaces should be available.

A 1985 survey showed that 60 per cent of Sheffield shoppers came by bus. The proposed new electric tramway system "Supertram" proposes two lines meeting at Park Square. The first, running in from Mosborough, through the centre, and ont to Hillsborough via the university, has a catchment of 60,000 people within 400 metres of the line.

This line has won parliamentary approval and finance for a feasibility study; the second out along the Lower Don Valley towards the site of the 1991 World Student Games and the huge new Meadowhall shopping complex, goes to parliament this autumn.

A £5m Passenger Transport Interchange is due to open in March 1990 based on the redeveloped Pond Street central bus and coach station which will be linked by covered walkways to the Midland Railway Station.

Sheffield's commercial sector has long been underdeveloped and housed in a quiet quarter on the hillside running down to the Don from the cathedral. But the city has benefited from the migration from London of footloose commercial, administrative, and governmental organisations seeking cheaper housing, high environmental living standards, and city centre space.

The Manpower Services Commission, (now The Training Agency), the Midland Bank's International Division, and the Department of Education have come north and future development promises an additional 2m square feet of office space to add to the existing 4.5m.

Cultural and sports-led rejuvenation is also at hand. The Tudor Square development between the Town Hall and the Crucible Theatre will provide a much needed open space, a refurbished Lyceum Theatre linked to the internationally famous Crucible Theatre, and a new Art Gallery to take the works from their current crowded perch in the imposing City Library.

The Cultural Industries Quarter, established in a delapidated area on "the wrong side" of Arundel Gate is already a success story. It thrives within a curtain-call of the Leadmill Arts Centre, one of Britain's most successful, and commercially viable, performance projects.

In two converted car showroom blocks the Audio-Visual Enterprise Centre (AVEC) provides a home for 15 businesses, including the recording studios for groups such as The Human League and Comsat Angels.

Access Music, with a turnover of £250,000 a year, is typical of the kind of spin-off businesses evolving in the quarter, producing background music tapes for clients like Tie Rack, Thomas Cook, and Whitbread.

Moira Sutton, Manager of Red Tape Studios, the council landlords of the centre, and manager of AVEC, is proud of the fact that none of AVEC's tenants has gone to the wall. "This has never been an art's initiative," she insists, but "a commercial one".

The next stage of development will engulf the former Kennings car showrooms and a new Sheffield Media and Exhibition Centre will form the "prow" of the impressive 1930s' block. Yorkshire Radio Network will have a studio in the building, alongside exhibition halls, a video library, and a gateway information centre to the whole quarter. A National Centre for Popular Music is also planned. Eventually the quarter is expected to employ 2,000 people.

The Sheffield we build today will proclaim what manner of men we are

Across the road the Sheffield Science Park, a first-phase £2m refurbishment of the Cooper's Silver Works, now houses 33 businesses in units ranging from "rent a desk" plots to 750 sq feet units. Benefits include, besides 'networking' between the businesses, the prestige of the science park tag, and access to Fax and Telex facilities. A further stage is under construction and two more in the pipeline. Local property prices have jumped and manager Marion Adkins admits the boom is "sickening". "We are a victim of our own success", as expansion will be difficult.

Close by is the £31m Ponds Forge Leisure Centre, rising opposite Pond Hill, to provide the World Student Games, and the people of Sheffield, with the fastest swimming pool in Europe (due to the depth) and a new sports hall by 1990.

Amid all this development one could understand concern over Sheffield's striking urban streetscape with its through-town vistas of distant skylines and countryside. But the council's blueprint for the future is dotted with green arrows: designating views in and out of the centre which must be preserved.

Not content with fleshing out the spine there is also a well-advanced plan to extend it; towards the heart of the Sheffield's wasteland in the Lower Don Valley.

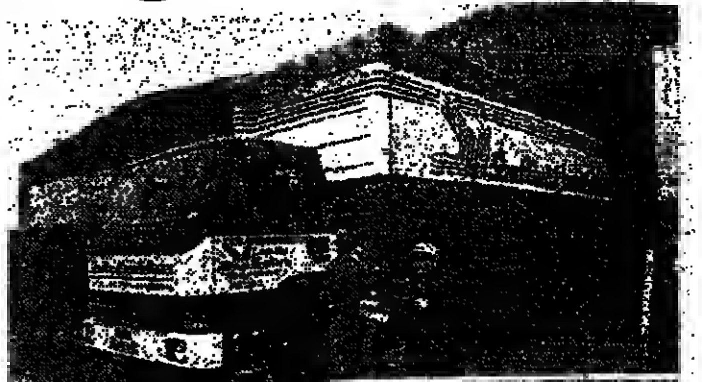
Beyond the existing tail-end of the spine is the old canal basin of the Sheffield Tinsley Canal enclosed on three sides by listed warehouses and a group of industrial cottages. This is to be the site for Cutler's Wharf.

Shearwater Property Holdings plc plans a £49m development to stand comparison with similar schemes at Liverpool's Albert Dock and at Southampton. The project includes a hotel, motel, 60 housing units, 15,000 square metres of specialist shops, offices, a boatyard, and a public house.

The plan for Sheffield published in 1946 believed that: "The Sheffield we build today will proclaim for future generations what manner of men we are." The present verdict, at the very least, must include ambitious.

PROFILE: NORMAN ADSETTS

The bridge builder



Norman Adsetts, chief executive of Sheffield Insulations: appalled at the gulf separating the council from business

FIVE years ago, Norman Adsetts was a typical company chief executive, engrossed in business problems, with little time for anything else except his family. His company, Sheffield Insulations, had grown hugely in the 20 years since he returned to the city from big-company executive life to take over from his father.

He had weathered the early 1980s. Company restructuring, with a new group managing director, saw Mr Adsetts as chairman. But, he asked himself, what does a chairman do?

It so happened that in 1985 he was asked to chair the governing council of the Association for the Conservation of Energy, ACE, which lobbies for the insulation industry. ACE took Mr Adsetts to Whitehall, where he met Mr Peter Walker, then Energy Secretary.

It was good for business, but worthwhile too. It made him look more critically at his own patch, particularly the Sheffield Chamber of Commerce, in which his company had nominally participated for 40 years. What, he asked himself, does the chamber do – and was it worth remaining a member?

Having shown interest, Mr Adsetts was invited to join the Chamber's council. There he learned the full extent of the gulf separating Sheffield City Council from the business community after job losses in steel.

"I was appalled," he says. "There was no communication at all. Both sides took a stand-off position."

Mr Adsetts says that his immediate reaction was not motivated by personal interest, though he admits that regeneration of the Sheffield economy helped his own business. Additionally, with a company called Sheffield Insulations there could be implications from a bad national image, but he insists that was not the point.

"It was an unacceptable situation, and it was dragging the city down. The question of who was right or wrong didn't enter my head. Something had to be done," he says.

Others shared his view and by the time he became the chamber's president last year (after two years as vice-president) the bridge building had been done. His immediate predecessors, Mr Bev Stokes, of Bassett Foods, and Mr Richard Field, of Dyson Refractories, each pushed reconciliation – as did the city council, helped perhaps by a change of Leader.

"It wasn't so much that Clive Betts replaced David Blunkett. The mere fact of a change in leadership helped clear the way for a new mood and new initiatives," Mr Adsetts says.

There was evidently plenty on which to disagree. "The beginning of partnership was very fragile," he recalls. "We looked for areas where it was possible to talk. Each side was hungry for something to work so that we could get failure out of the system. Sheffield had to be made a place to reckon with once more. We were not prepared to see it go down the drain."

Success created its own bandwagon. "Many more people are involved now as we enter new areas of regeneration. We have gone way past the informal teams, and now have a number of corporate partnerships."

Formal partnership agreements were, Mr Adsetts thinks, more important for the city council than the private sector. However, it proved vitally important to convince Government ministers and senior civil servants that, in his words, "this was a real partnership and not a cobbled-together love-in." Officials came, talked to all sides, then drew their own conclusions.

Now that regeneration is well under way, Mr Adsetts believes that it is possible to see the time of strife between 1979 and 1985 as an aberration in Sheffield's history. "The city had 60 years of single party rule with a working understanding between councillors and the business community. We are returning to that state."

Like other business leaders he is careful to keep his own political beliefs in the background, although he knows there will be times of stress for the partnership during elections and people want credit for what has been achieved.

He believes that businesses like his own, which have profited from the industrial shakeout of Thatcherism and the recent economic upturn, have a duty to repay society. He subscribes to the idea of a regional Per Cent Club, though he points out that most companies already give at least half a per cent of gross net profits to some charitable work or other.

"In Victorian times the very large firms could afford to donate parks and make other major acts of what we now call paternalism. Today we no longer have the huge employers, so we must encourage 1,000 smaller companies to contribute, to show that business is prepared to put something back into the community."

As a young man Mr Adsetts turned his back on Sheffield because of its then stifling parochialism. Now he has learned to see village life – the city is sometimes called the largest village in the world – in a different light. "Parochialism is a weakness when it represents self-centred, self-seeking isolation. It is a strength when, as is happening, it becomes a determination to stand together."

Elisabeth Tacey takes a sharp look at cutlery manufacturers

Cutting edge is still keen

TRY buying a penknife made in Sheffield. There are plenty available from Korea or Japan, even from China; none from Sheffield. And it's virtually the same story when considering the purchase of a canteen of cutlery. Those who have fond recollections of the good old names, such as Schofields, believe that they have all but disappeared.

The fate of the industry evokes sentimental feelings and memories for many generations of people for whom the label "Made in Sheffield" was synonymous with quality. But perhaps that is its problem; people associate Sheffield knives and forks with the past.

Certainly, the industry has been ravaged by the recessions of the 1970s and early 1980s, and by the huge loss of market share to cheap Far Eastern imports, which now hold around 90-95 per cent of the market. The appropriately named Ms Cathy Steele, chief executive of the British Cutlery and Silverware Association (BCSA), says about 2,500 people are now employed in the industry compared with around 5,000 in the 1970s and 30,000 in the 1950s.

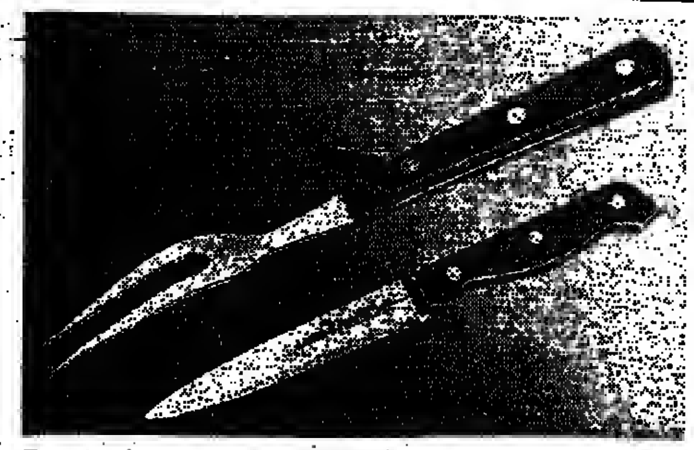
Bnt sbe argues that the industry is "leaner and far more efficient ... otherwise we would not be here now."

The industry is still a disparate one of tiny one-person companies alongside those that have grown and invested in automation to compete with the cheap, mass-produced Far Eastern imports.

Richardsons Sheffield is the largest kitchen knife maker in Europe with 500 employees. Its Laser knife, which never needs sharpening and has a 25-year guarantee, has taken 45 per cent of the UK kitchen knife market from a starting point of zero in 1980. But much of the company's success has to be due to its energetic, bluff Yorkshire managing director, Mr Bryan Upton, who never says no to an order and never takes no for an answer.

Mr Upton began his career as an apprentice die-sinker at 13. "I failed the 11-plus because I'd rather play football than learn the three Rs." He joined Richardsons in 1956 at the age of 23 and 10 years later was made managing director.

He is scathing about the UK cutlery industry, which he sees as old-fashioned and not moving with the times. He describes how he saw robotic



Forever sharp: Richardsons' Laser kitchen knife and fork

cutlery production in Brazil and the Far East nearly 30 years ago, came back home and took on board what he had seen. "We took the bull by the horns in the 1960s. One or two of their ideas I have copied."

His factory is now fully automated, with home-built machines developed specifically for the company's needs; for instance, a knife assembly machine that joins blades to handles can make 20,000 knives a day, compared with 3,000 manually.

Mr Upton considers his factory apart from other cutlery makers: "We are a special company. You cannot compare us with the rest of the cutlery industry. We are engineers, we are not cutlers."

Outpnt rose from 750,000 blades a week to 1m with the opening of a new factory last year. In 1980 turnover was £2.4m; in the year to June 1989, sales of £17m were recorded. Growth is estimated at 25 per cent a year over the next 10 years.

The huge growth was brought about by a call in 1979 from Sears Roebuck in the US, which wanted a knife that would never need sharpening. Mr Upton and Mr Jerry Hahn, chairman, developed a blade with a specific edge angle and tiny serrations that keep it sharp.

But having developed it, Mr Upton had trouble selling it. "The buyers still weren't interested. So I decided the best way to get attention was to start an argument. I contacted the press and said: 'Look, here's a Sheffield-made knife. It's the finest knife in the world with a 25-year guarantee. The buyers won't talk to us.' The next day the buyers were on the phone and within three months we were into every department store in the land."

Mr William Croft, finance director with table cutlery-maker Hiram Wild, is not as hard-hearted as that, although he says that automating the process is "the only way we can hope to compete". With sales of £5.25m this year and 200 employees, the company is "one of the biggest cutlery firms in Sheffield", he says, discounting Richardsons.

In the past eight years it has spent £750,000m on improving and mechanising its manufacture of the cheaper stainless steel and the silver-plated canteens. For example, it now has a vibratory polishing machine for the stainless pieces, which takes 5,000-6,000 items at a time, and a multi-polisher for the higher quality cutlery, which handles 50-60 items a time.

He points out, though, that the company is constantly fighting at a disadvantage: it cannot afford the sort of knife machines that the Koreans use, because they cost around £500,000m-£750,000m each. "The Koreans can do it because they have margins on subsidised steel." So Hiram Wild buys in its knives, only making its own forks and spoons. And having just gone through a management buy-out last year, it has other payments to make: "We are in a bit of a catch-22 situation at the moment."

He reckons that export opportunities to the rest of Europe are limited because "the cntlery industry in Europe is a different animal". He suspects that industry protection will continue in some form, even after 1992. But that apart, the knife blades are 1.5 inches longer in continental Europe than here, and Mr Croft says that, at £40,000 for a set of tools to make a cutlery suite, the costs would outweigh the gains. Most of Hiram Wild's exports are to the "more comfortable" African atates and the US. "The Commonwealth countries never really built np their own cntlery industry."

And he agrees with Mr Upton's point that the buyers do not help the industry, because they look solely at

Bryan Upton

price. Clare Jenkins, until recently of the BCSA, stresses this point: "The buyers want to keep a price ceiling that some manufacturers say is unrealistic."

Ms Steele agrees: "Buyers are the problem." People do want to buy quality merchandise, she argues, but the buyers will not put it in the shops.

CW Fletcher, at the top end of the market, makes hand-forged silver cutlery by beating out small bars of sterling silver in three operations to produce the blank that is stamped with the traditional pattern such as Kings. The US is the company's best market.

Mr Upton, of Richardsons, reckons that these companies face the problem of a shortage of the skilled workers needed to do the manual jobs. Ms Steele responds that the industry has a teaching association and is trying to set up a City and Guilds qualification for cutlers with Parkwood College. Apprenticeships are also on the increase after nearly dying out.

A report at the end of last year from Cheshire-based research company B and MR Reports criticised the industry for lack of marketing initiative, saying that it was not taking advantage of the recovery in the UK market, which is growing at a rate of about 4-5 per cent. Spending on promotion is "modest to say the least", and efforts are restricted mainly to frequent price cuts.

But Mr Croft points out that the British buy an average of one-and-a-quarter sets of cutlery per lifetime: "That's a very, very alarmingly low figure."

But there's good news for those wanting a Sheffield penknife: Ms Steele says they are still made by companies such as Eggingtons, which makes the George Ibbertson knife.

And for those who may be thinking the old firms have all vanished, Ms Steele says Schofields is still there.

Jim Kelly describes plans for a new regional shopping centre

Pleasure dome decreed

THE VISITOR'S view of Sheffield from the M1 or the London mainline used to look like a postcard from hell: smoke belching from the steelworks of the Don Valley. Today, rising from the huge dereliction is a pleasure dome that could change the city's national image.

Meadowhall, to be completed at a construction cost of £230m and opening September 1990, is to be a regional shopping centre. Buoyed by its double access to the M1 (junction 34 north and 34 south) the developers' predictions of its future turnover are not modest.

Mr John Murdoch, marketing manager, says it will employ 9,000, serve 9m shoppers within an hour's drive, and enjoy a catchment market valued at £19.62bn a year (16 per cent of total UK market expenditure).

Standing as the kingpin of the 1,000-acre redevelopment of the devastated Lower Don Valley the complex will be served by the new £52m light railway system, have its own mainline station, and provide parking for 12,000 cars and 300m coaches.

Despite the local levels of unemployment, retailing skills are scarce and as an answer the Meadowhall Retail Academy will offer school-leavers and the re-trained qualifications in stock-taking, security, health and fire precautions.

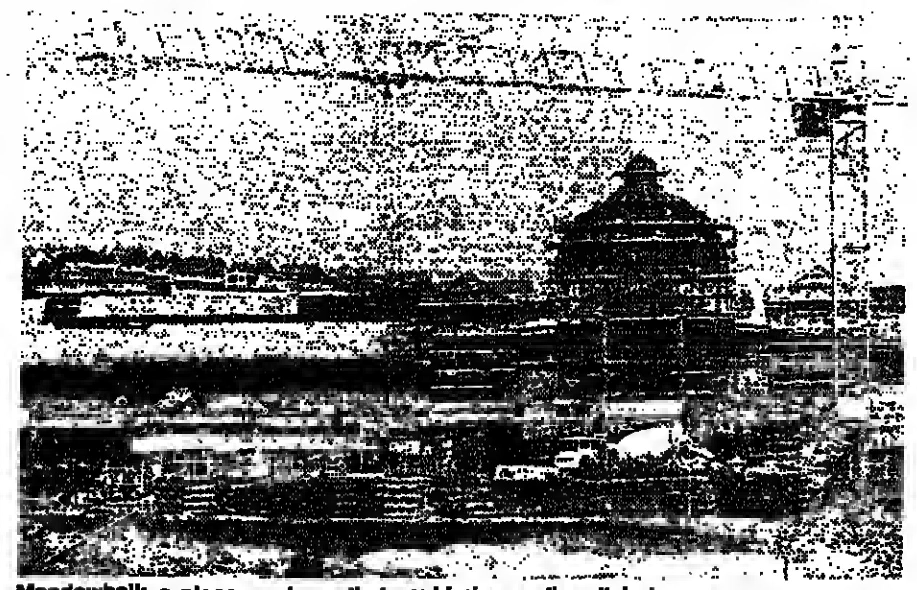
About 2,000 construction workers are on site and Mr Murdoch says base letting has reached 70 per cent for the 200-300 shopping units.

Inside Meadowhall the plan is to combine strategic major retailers, such as Marks and Spencer, House of Fraser, and Debenhams, with "themed" streets. "We have turned away some because they do not fit into our shopping mix," says Mr Murdoch.

For example, Market Street will be based on the Harrods Food Court style, while Park Lane will be designed for exclusive up-market shopping. The Oasis diners will eat in the largest food court outside North America in a Mediterranean village environment. A "video-wall" with 48 individual screens will be on hand for entertainment. Leisure attractions will include "The Ride of Life", in which voyagers will be carried by sofa through a representation of the British way of life. (There are echoes here of the Jorvik Centre in York which began the vogue for moving customers through a museum at a predetermined speed).

The only small cloud on the horizon is the suspicion in Sheffield itself, and among some academics studying the impact of out-of-town shopping complexes, that places such as Meadowhall can kill traditional city centres.

Dr Gwyn Rowley, of the department of geography at the University of Sheffield, believes the "leisure shopping" offered by Meadowhall will have a "fundamental effect" on Sheffield. He says the city centre's primary position at the top of the retailing pyramid is in danger. He likens the city centre to one of those pyramids of



Meadowhall: a pleasure dome that could change the city's image

baked bean cans in a supermarket: "How many can you take out before the whole lot falls down?".

In a report to be published later this year he says of trade loss following Meadowhall's opening: "Initially this could amount to a 20 per cent reduction although effects could deepen considerably within two-four years with CBD (Central Business District) turnover rates remaining virtually static by contrast with Meadowhall."

He predicts "significant" impacts on Barnsley, Rotherham, Doncaster and Sheffield. He adds that two layers of retailing may develop with the city centre providing goods for poorer, pedestrian and immobile shoppers while Meadowhall will stock top-of-the-line goods for the car driver.

While there are thought to be some 45 regional shopping centres planned in the UK, Dr Rowley believes only 12 will reach the status of truly regional attraction. At present he finds Meadowhall's claims to be in the top 12 unconvincing. "I don't think it will make the top 12."

In Sheffield views are mixed but concern is genuine. The city council predicts a 10-12 per cent loss in trade two years after the opening. Mr Richard Alty, chief assistant planning officer at the city council, notes that since the go-ahead for Meadowhall city centre retail development has not slowed down.

Mr Geoff Murgatroyd, centre manager at the Orchard Square development off Fargate, says: "I believe Sheffield city centre will continue to prosper" and he points to the possible extra customers who may come to the centre thanks to Meadowhall – "spin-off business from it, rather than to it."

He talks of the "dramatic" improvement in relations between the business community and the council and points to schemes like The Fargate and Barker's Pool Initiative, in which he is involved, and which aims to rejuvenate traditional areas for shoppers.

Mr Murdoch at Meadowhall takes a double position; he believes Sheffield will not be damaged and bases Meadwhall's claims to success on the fact that nearby towns and cities are among the worst for shopping provision in the UK. Of the 20 towns with the lowest provision of people per shop in the UK seven are within 45 minutes of Meadowhall – Sheffield tops the list.

Mr Murdoch cites the "Newcastle Experience" where an out-of-centre complex has failed to register an impact on a city centre and adds: "We are not a Sheffield shopping centre; we are a regional shopping centre."

The Oxford Institute of Retail Management, which has undertaken a survey of Meadowhall and produced a fact sheet on the development, notes: "... Meadowhall should in time come to rank as one of the top 10 shopping centres in the country as a whole."

Interestingly, it adds: "An intangible but possibly important factor in the region is what we may call the local population's 'belief in the new'. Meadowhall is part of the regeneration of a valley. Around it other projects at the heart of change in the region are going on. In contrast Metro Centre's role on Tyneside is diminished by the fact that it is on the edge of Gateshead, and by the activity in Newcastle and elsewhere on the other side of the river. Meadowhall is likely to be central, not peripheral, in regional development."

Whatever happens Meadowhall will stand as a monument to regeneration and one which every motorist travelling north or south will not be able to miss.

David Thomas discusses higher education and research projects

Forging closer links with business

Industry as students see it: Davy McKee has built strong links with Sheffield Polytechnic

SHEFFIELD is understandably eager to shed its reputation for having an economy based solely on steel and heavy engineering – industries inevitably identified with a previous phase of industrialisation, however well the surviving companies in these sectors have adapted to modern times.

The city has one or two cards up its sleeve in this battle to diversify its image, not least its two large centres of higher education and research: the polytechnic and the university.

Now that higher education institutions throughout the land are being encouraged to forge closer links with business, it will be surprising if Sheffield does not stress these resources more prominently whan promoting itself as an industrial centre.

Sheffield's polytechnic already has substantial links with local business, not least because it is Britain's biggest provider of sandwich aducation.

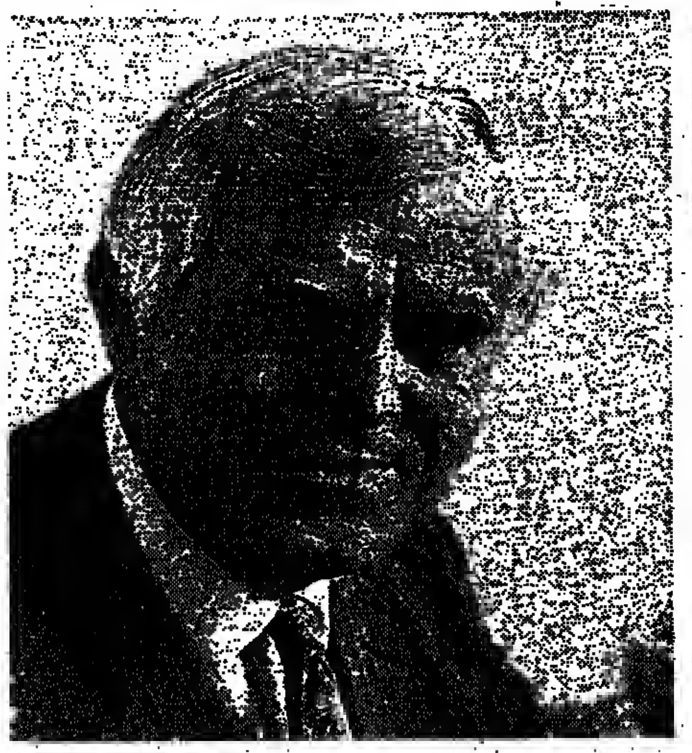
At any one time, one in six of its 12,000 students are completing a one-year or six-month stint with employers.

Many of these sandwich students work on specific projects, ranging from installing and testing manufacturing systems, through to developing new software and helping companies to analyse their markets.

The polytechnic is also the regions's largest supplier of postgraduate and professional training, running part-time courses for people qualifying as bankers, accountants, building society managers, company secretaries, engineers and more besides.

Increasingly, the polytechnic plans its training courses jointly with industry. The most recent example is a Government-funded scheme in metals technology management which is being developed with Sheffield companies and taught jointly with Sheffield University.

The Department of Trade and Industry's teaching company scheme has allowed the polytechnic to appoint Fellows who work in host companies on technical projects. The Fellows are jointly supervised by the polytechnic and the supervising company.



Peter Newman, chairman of polytechnic's board of governors

The roll call of local companies collaborating with the polytechnic on this scheme includes Davy McKee, NEI Baldwin and Francis, British Metal Treatments and Carbolite Furnaces.

Similarly, much of the polytechnic's research is carried out jointly with industry. Its research effort is concentrated in five areas. These are materials, manufacturing engineering, information engineering, regional studies and communications.

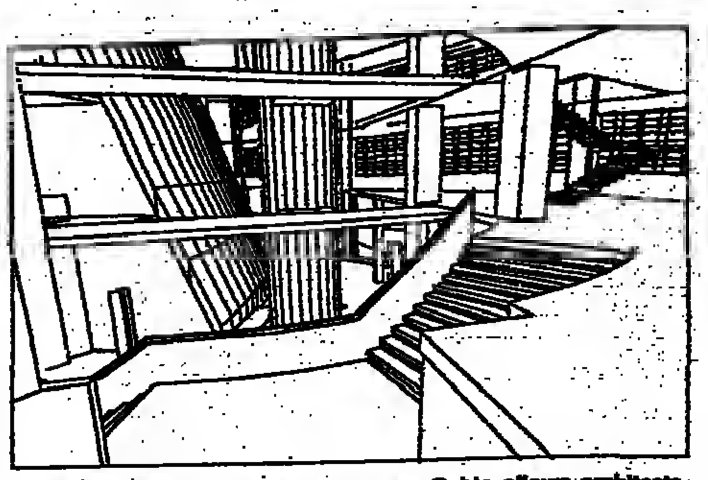
The polytechnic sets out to attract funding for programmes carried out with outside partners in all these fields. An example of a project which started last year is European Commission-funded work in cutting tool technology.

This is international research being carried out in partnership with Neill Tools and other institutions in the UK, West Germany and the Republic of Ireland.

Sheffield University, located in a cluster of buildings on a hill overlooking the city centre, also represents a major resource for the city. With 8,000 students, including 6,700 undergraduates, it is one of the North's largest centres of higher education.

It has a good research base, as was evident from the research rankings issued last month on all UK universities hy the Universities Funding Council, the body responsible for channelling Government money to the universities.

In the most comprehensive exercise of its kind, Sheffield came well up the list of UFC research gradings. The university likes to stress its traditional strengths in metallurgy, in materials and in mechanical engineering, but the UFC's rankings showed that Sheffield can hoast other centres of excellence too.



Computer design: a system known as Gable allows architects to obtain three-dimensional representations of blueprints

Five of its departments were given the top grade, which means they are doing work of international excellence in some areas and of national excellence in almost all others.

The five form a heterogeneous list, underlining the diversity of the university's interests: psychology, electrical and electronic engineering, architecture, social sciences and theology. Consider a snapshot of some work in two of these departments:

■ Architecture. A three-dimensional computer-aided design system, developed hy Professor Bryan Lawson of the architecture department, is now being marketed by a company spun out of the university.

Known as Gable, the software package allows architects to feed in data on ground modelling, building design, interior design, general draughting and other areas to the computer, which then converts the information into 3-D representations.

At the press of a few buttons on the keyboard, for example, Professor Lawson is able to construct 3-D images of how a motorway would look as it cuts across a valley and then generate images of that motorway from any point in the valley.

The system, which is now extensively used in teaching the department's students, not only radically reduces the time architectural practices need to spend on scale drawings, it also gives them much more powerful feedback on how their plans will look in the real world.

Sheffield haa already notched up considerable sales for Gahle, including to National Westminster Bank for the intarnal design of its branch network and to many local authorities ranging from Dublin to Rotherham.

■ Electronic engineering. Sheffield has been designated the national centre for the manufacture of advanced semiconductor materials in the III-V family for other universities.

This family, whose most famous member is gallium arsenida, is widely seen as likely to form the next generation of semiconductors, hecanse they have mnch higher performance characteristics than silicon, the traditional semiconductor base.

They are expected to be particularly useful in demanding applications, such as defence, optical fibre communications and very high speed computing.

Sheffield's role as a national centre for manufacturing these materials also puts it in a pole position to do research on them, using its £2m of clean room equipment.

Dr Peter Houston, deputy director of the semiconductor facility, detected considerable interest in Sheffield's work among Japanese scientists on a recent visit there.

This interest has been reflected hy large Japanese companies such as Fujitsu and NTT sending scientists to Sheffield on one-year secondments, even though the equipment available in Japan dwarfs anything to be found in Britain.

"There's still a feeling over there that we have areas of expertise, such as opto-electronics, with which they'd like to collaborate," Dr Houston says.

BUSINESS SERVICES UNIT

An understanding of Japan

WHEN Derhyshire County Council was told out of the blue late last year that the Toyota motor company was considering Derby as a potential site for their UK manufacturing base, there was something of a flap in the council offices.

Derhyshire had almost no experience of dealing with the Japanese, certainly not in relation to a project of the scale Toyota was planning. It had precious little promotional material suitable to show Toyota in English, let alone Japanese. Its councillors and officials had next to no idea what the Toyota executives would be looking for.

Casting around for someone to help them in their predicament, they contacted Ms Rosemary Yates, director of Sheffield University's Japan Business Services Unit, a business resource of national standing.

Derbyshire's officials begged Ms Yates to break a planned visit to London at Derby station, from where she was whisked off to a meeting with half-a-dozen senior executives asking her gnomic questions about what an unnamed Japanese corporation might be seeking in Derbyshire. After a while, the penny dropped: "I bet you're talking about Toyota," Ms Yates said.

A few days later, the county council was able to confirm that Ms Yates's suspicion was correct, though still insisting on strict confidentiality. From then on, Sheffield's Japan unit played a key role in securing the Toyota investment for Derbyshire.

The county council faxed its communications to Sheffield for translation into Japanese before sending them to Toyota; drew on the unit's staff for interpretation; called on the unit to brief its top people on how to deal with the Japanese; and tapped the unit for a full brief on Toyota.

Two of the unit's Japanese staff were photographed with Mr Junji Numata, Toyota's managing director, and Mr David Bookhinder, Derbyshire's leader, when the company and the council signed the inward investment agreement in April - confirming their importance to Derbyshire's victory.

The Toyota negotiations were easily the most important deal in which Sheffield's Japan unit has been involved so far. However, Derbyshire is not alona in turning to the unit for help.

The unit now has a client list of some 470 organisations, mainly British companies interested in penetrating Japan or in selling to Japanese companies in Britain.

The unit offers tailor-made services to suit its clients' needs. These range from interpreting, translating and word processing in Japanese through to printing in Japanese.

The unit lays on intensive courses, lasting from one day up to about four weeks, introducing executives to Japan's language, economy, history or whatever else they are interested in. It also offers consultancy advice on doing business with the Japanese.

Established in 1983, the unit now has six full-time staff, including three Japanese, and draws on many specialists dotted around Britain for particular assignments. Its courses are not particularly cheap – £285 a day plus VAT – but are intensive and typically one-to-one.

The unit has built on a base of Japanese studies in Sheffield which goes back quarter of a century. The university's centre for Japanese studies is one of only four concentrations of expertise in Japanese in the UK, the others being in Cambridge, Oxford and London.

Professor Glenn Hook, the centre's director, sees Sheffield's strength in its stress on contemporary Japanese society and business, as opposed to its literature. Thus, many of the centre's 35 undergraduates are on dual honours courses, such as Japanese and economics or Japanese and business studies.

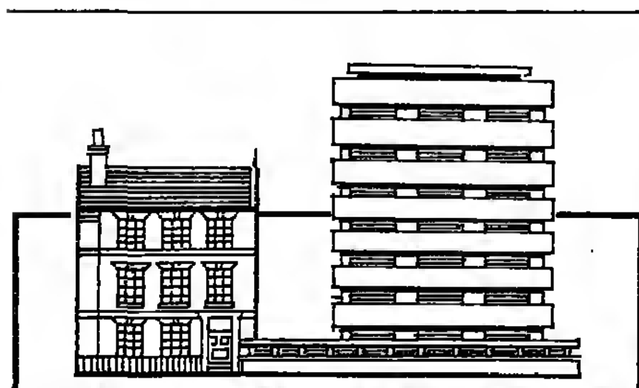
The four-year course includes an intensive first year devoted to the Japanese language, including a final 10-week stint in Japan. Each year the centre's 17 staff produces 30 undergraduates who understand not just the Japanese language, but usually something about Japanese business too.

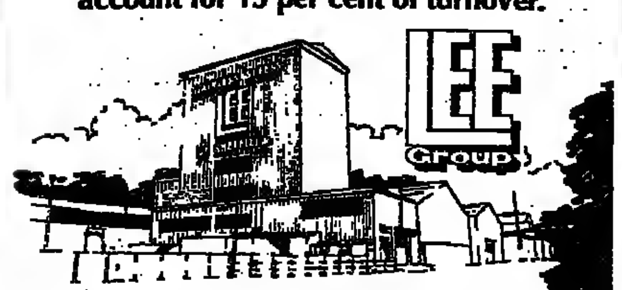
It is perhaps a sign of the times that the financial sector and Japanese companies themselves show by far the greatest interest in this scarce national resource. At a recent employers' evening in the centre, BP Chemicals and BOC were lone manufacturers among a group of banks interested in recruiting the centre's graduates.

Professor Hook, for his part, is eager to build up links with British business, particularly in three areas: companies sponsoring students for part of the cost of their visit to Japan; sending their high flying young executives to the centre to study its one-year diploma in Japanese; and endowing staff posts at the centre.

Rosemary Yates, Japan Business Services Unit, Sheffield University, Sheffield S10 2TN. Tel: 0742-78555

David Thomas





Stewart Dalby examines a relocation case study

The heart of Britain's training industry

ON THE face of it, Sheffield seems a curious place for the relocation of the Training Agency, formerly the Manpower Services Commission.

Originally a heavy industry centre largely dependent on steel, there was little tradition of trade or commerce. This is still evident in the shortage of solid Victorian office buildings and commercial centres, compared with, say, Manchester or Liverpool.

In the heyday of steel Sheffield was a comparatively low unemployment town. It saw no need to go out of its way to broaden its economic base and attract new industries. For instance, the Sheffield Development Corporation was set up only 15 months ago.

When the steel industry collapsed in the early 1980s, with the loss of thousands of jobs, there was a great deal of anger which manifested itself in a well publicised battle between the local authorities — dubbed the socialist republic by the press — and the private sector. The local authorities at county and city level saw it as their responsibility to maintain essential services in times of hardship, by pushing rates up and up. These essential services at one time included a heavily subsidised bus service in the city centre.

Private sector companies claimed that the high rates were not only discouraging concerns from setting up in Sheffield, they were actively encouraging existing companies to move out. The city council was eventually ratecapped by the central government. Nowadays the developers are looking at Sheffield, but there was a period of stagnation which dismayed potential investors.

Despite all this the Manpower Services Commission, as the Agency then was, decided to move to Sheffield. Senior executives at the Agency claim the move has been a great success, and that they are happy to be there. The recent announcement that 300 more "jobs" were moving to the city meant that there are now 2,300 people employed there, and with the exception of a few people in London for links with government ministers and the like, all the Agency's national programmes are run from Sheffield.

The 57 area offices and the up to 5,000 managing agents, as they are called, are co-ordinated from Sheffield in a £3bn budget.

When the decision was taken in the mid-1970s to move some government departments out of London, the Labour government of the day pointed those concerned in the direction of the north of England in general and areas of high unemployment in particular. Sheffield was not an obvious choice since at the time there was a relatively low jobless total in the city.

The Manpowsr Services Commission, which at that stage was a statutory body tied to the Department of Employment, looked closely at nine possible sites, including Liverpool and Bristol.

What clinched it for Sheffield was the strong enthusiasm of the city council, which later was to be at such loggerheads with private-sector concerns such as the Confederation of British Industry. The council offered a site at peppercorn rent. The Commission subsequently built a large building which it owns and occupies today. The council also made council houses available on a temporary basis so that families could look around for homes of their own.

The initial move, which involved 1,100 volunteers moving up from 1979 to 1982, therefore went smoothly. Some 600 to 700 additional people were employed locally and the Agency has expanded further in recent years.

It has also changed its complexion. When the job centres were hived off in the mid-1980s the Manpowers Services Commission became the Training Commission, with the emphasis more on training than employment.

In the heyday of steel Sheffield saw no need to broaden its economic base and attract new industries

Then, in 1988, the Trade Union Congress which had been a partner in the MSC decided it could not support the employment training scheme. This lead Mr Norman Fowler, the Employment Secretary, to take the Commission back into the government. It is now an integrated part of the Department of Employment, and its officers are answerable directly to ministers. It is thus no longer an independent statutory body with TUC participation, although individual unions are welcome to participate.

Employment training, which seeks to re-train the long-term unemployed, has become the agency's largest programme with a budget of £1.4bn. In operation for a little under a year, there are 200,000 adult unemployed people undergoing employment training. The Agency's managing agents find companies who are willing to take on people who have been unemployed for more than six months and, with the help of the agency, provide training for periods up to one year. The trainees are paid a wage which aims at being slightly more than they would receive in benefits. The companies are expected to make some contribution but have no obligation to employ the person at the end of the re-training period.

Part of the pitch the Agency makes to companies in trying to persuade them to take on unemployed adults is that there are going to be 1m fewer school-leavers in ths forseeable future. By 1995 the number of school-leavers will have dropped by 25 per cent. This will mean a shortage of skilled labour. The employment training scheme offers a way of overcoming this shortage. Because the programms has been in operation for less than a year it is too early to judge its success.

Dr Ian Johnston, ths deputy director general of the Agency, is in no doubt about the success of its other major programme, the Youth Training Scheme. Started in 1983, it now has 400,000 young people involved. They usually go to a company at 16 or 17and can stay for up to two years. At the end of this period they emerge with some kind of vocational qualification and have had valnable work experience. They do not have to be unemployed, unlikethe employment training, but 80 per cent are. The youngsters are paid a wage of £29 a week for the first period which increases to £35 a week. Some 70 per cent of those in the scheme have gone on to a full-time joh.

The Agency is involved in a raft of other schemes and projects but with £1bn for the YTS, this and employment training takes up the lion's share of the total budget.

The senior executives, are enthusiastic about living and working in Sheffield. They admit the centre of town is not as attractive as some other northern towns. But maintain that in the suburbs to the west and east there are unusually attractiveproperties to be found. Because economic regeneration has comelater to Sheffield than some other centres, property prices never took off the way they did in the south-east and East Anglia. Mr Johnston reckons that semi-detached and detached houses go for 50 per cent less than similar properties in the sonth. There is good climbing and walking in the hills just a few minutes from the centre of town. Sports facilities are undergoing a major expansion with venues now being constructed for the World Student Games in 1991. The theatre scene is also seeing a revival.

The Crucible Theatre is known nationally and the old Lyceum is being renovated and re-opened. Mr Johnston says the downside of Sheffield is that things still happen in London, and senior executives often have to go down three times a week. But for most of the Agency's employees the move to Sheffield has been a good thing, Mr Johnston feels. He says staff turnover is only 3 per cent.

For Sheffield itself, the fact that the Agency has stayed through the bad times has been mostly positive. The wages bill of the Agency comes to £50m, although not all of that is paid in Sheffield employees. But the multiplier effect of workers with a large employer like the Agency has been an important factor behind the revival of retailing in the city centre.

Ian Hamilton Fazey looks at a new and an old company

An electronics regeneration

THE metamorphosis of Sanderson Electronics from a start-up subsidiary of an engineering group to an independent, international, quoted company in less than six years is one of Sheffield's more impressive pieces of regeneration.

"We see ourselves as a phoenix rising from the engineering industry, hut with mnch greater growth potential than we could ever have had if we had stayed in that sector," says Mr Paul Thompson, Sanderson's chairman and managing director.

The company started as Sanderson Computers, an offshoot of Bramah, a privately-owned engineering group. The name Sanderson was chosen because it "sounded strong, English and was easy to spell".

Now, Sanderson Computers is but one part of Sanderson Electronics, the name of the holding company which floated on the Unlisted Securities Market in May last year.

The other part is probably better-known universally, for it is General Automation. Last January Sanderson spent $4.1m in a deal to acquire up to 51 per cent of the then ailing California-based US company, taking 37 per cent straight away to establish a controlling interest.

Mr Thompson, who is 37, is a Sheffield chartered accountant who went into industry as financial controller of a US subsidiary of Aurora, one of Sheffield's steel giants. There he became involved in computer applications, specifically with the Pick operating and utilities system, which provides adaptable systems for a wide range of industries.

He returned to Britain to become finance director of Bramah, taking responsibility for Sanderson from its formation — with a share of the equity — to exploit Pick systems and applications. Bramah put up £20,000 of equity and £100,000 of loans at favourable rates.

The other key figures, also with equity, were Mr Philip Noden, 46, a computers specialist who joined the enterprise in 1983, and Mr Martin Beaumont, 35, Bramah's chief accountant.

Mr Beaumont moved to Sanderson full-time within six months, to be followed full-time by Mr Thompson a year later.

In 1987 they bought Bramah out of its 53 per cent holding and sales have never stopped rising. First they grew into their new premises off Sheffield Parkway — they bad moved in the cbosen year before after much debate with only six employees — and then started growing towards their present complement of 172 in the Sanderson companies.

Sanderson specialises in Pick systems, which run on minicomputers supporting between 20 and 250 terminals and which have established a strong second place in world markets to the rival Unix systems. Sanderson Computers is now Pick's leading distributor worldwide.

'We see ourselves as a phoenix rising from the engineering industry, but with much greater growth potential'

All industries and major administrative functions are potential markets. The most successful sales areas cover financial control, production management, distribution, the National Health Service, Government departments and local authorities.

Mr Thompson says that the company bas succeeded because its three founders are neither pure salesmen nor blinkered computer enthusiasts. All have basic general management skills which place the highest premiums on the practicahility of products, Their endurance, and their long-term adaptability to new hardware or cbanged circumstances.

They are in Sheffield by accident — it is where Bramah was — bnt they are committed to it as home. The recession, however, did them a favour.

"There was no local market to sell to," says Mr Beaumont. "We had no choice bnt to operate nationally from Day One. Fortunately, Sheffield is ideally placed to get virtually anywhere quickly. Newcastle and Bristol are virtually equidistant."

When General Automation — another Pick specialist — ran into financial difficulty last year, the number of potential buyers was limited. Sanderson was in good shape to try letting its reach exceed its grasp and clinched the deal by exchanging faxes during the Christmas and New year holiday period.

They found General Automation "a typical sales-led company," Mr Thompson says. A sales budget would be set and the company would be staffed up on the assumption that it could be met. Sanderson's approach was the opposite one of never expanding numbers until the sales were there to justify it.

A cut of $2m in General Automation's overheads and 20 per cent redundancies appears now to have brought the business — once the second-biggest computer company in California — back into line and Mr Thompson thinks that Sanderson Electronics' shareholders are going to be happy with the eventual outcome.

As with many successful businesses, targets are simple and easy to understand at all levels of the enterprise. In Sanderson's case, they are 50 per cent growth per annum in turnover, profit and earnings and per share. The company is doing better than that and intends to go on doing so.

Tbe company is no longer small. General Antomation bas added a net 350 staff, 100 of them in Britain. More importantly, it has opened up to Sanderson the European market for Pick systems because the US company was strong there and Sanderson felt that break-in costs might have been prohibitive.

The company's share price, whicb was £1.30 on flotation, was at £3.40 last month. It made £5m on £6.2m of turnover at the half-year ended in March, but that reflects nothing of the prospects arising from the General Automation acquisition or the formation of subsidiary or associated companies in Australasian and Pacific markets.

Sheffield is at the centre of this little universe, a proper reward, perhaps, for the city where this high technology company was forged, even though Sheffield probably did not realise what it had initially because it did not do much in recession-hit local markets.

"Locally we were just another software house. Everywbere else we were a national computer company," Mr Beaumont says.

However, Sanderson is certainly not now a prophet without bonour in its own country, for the city recognises that the consequences for its skill base are well worth having, especially with Sanderson recruiting a steady stream of trainees.

Mr Thompson now hopes that Sanderson's own workforce will produce people wbo will spin out to form their own businesses in the same way be and his colleagues spun out of Bramah, though SiliDon Valley may be some way off.

Ceramics centenarian

SANDERSON Electronics has some way to go to catch Hepworth Ceramics, which is the biggest quoted company with headquarters in Sheffield. The contrast between the old and the new is marked, though they have one thing in common: there is no particular reason why eithsr should be there.

Hepworth made its name in the clay pipes used for Britain's network of water and sewerage services and has been in Sheffield for more than 100 years.

However, it was under-performing and needed shaking up. Roots can easily be dug up in such operations.

They nearly were. Three years ago Professor Roland Smith, its non-executive chairman, persuaded Mr Sinclair Thomson to leave his joh running TI's domestic appliances division and take over as chief executive.

Would its Sheffield origins be enough to keep it in the city, especially with 12,000 employees scattered widely about Britain and only a few hundred locally based? It was big — £680m of turnover last year — and could be run from anywhere.

"We wanted new premises but there is a shortage of office space in Sheffield," Mr Thomson says. "A local search proved fruitless but most of the senior management like it here. We decided to stay because we felt that Sheffield was growing and going somewhere."

An important factor was a meeting he had with Mr Clive Betts, leader of the city council, who fielded a team to talk. Mr Hugh Sykes, chairman of Sheffield Development Corporation, was also an important persuader.

Mr Thomson says: "I was very impressed by their dedication and enthusiasm. I don't agree with the city council leadership's politics, but Clive Betts and I got on well from Day One. I knew I could do business with these people.

"My situation was simple: if I had met a group of people whom I felt did not merit my time, I would have had nothing to do with them."

So Hepworth stayed, refurbishing its existing headquarters, a suburban Victorian mansion with a modern extension at a cost of £500,000. The company's profit record has also improved, moving from £33m three years ago to £86m and then to £53m at its last half-year.

It has been reducing its commitment to clay pipes by diversification. It was already in refractory materials, a thriving volume market when Sheffield made mnch more steel, but now has Henderson, a garage door manufacturer, as a subsidiary, and also has a building products division.

The decision to stay in Sheffield has also had a wider benefit to the city than, say, Hepworth's contrihution to the local economy via the company's spending power with local suppliers or salaries paid to Sheffield-based staff.

Mr Thomson says: "Once we had decided to stay I got my team together and said that being located in the city meant that we had a certain responsihility to Sheffield and what had we got offer?

"We took the view that we had money, people and time and would give of them what we could, while recognising that our business is always going to have number one priority."

One project has been the restoration of the city's Lyceum Theatre, which bas cost £250,000 to date. Mr Thomson is leading the marketing drive and raising more money.

He is also the joint founding chairman with Mr Sykes of the Per Cent Club and will eventually take over the position solo. He intends to beard the principals of the 300 biggest businesses in Sheffield and get them to impose a levy on themselves that will go to fund promotion of the city.

Mr Paul Thompson, of Sanderson Electronics, mnst be heading for Mr Thomson's hit-list, if he is not on it already. Sanderson has been too busy with birth, survival and growth to take much interest in the wider role of business in the community.

"We're on the fringe of the partnership but we are very pleased about it," Mr Thompson says. His near-namesake will probably be after him soon.

Elisabeth Tacey meets the new generation casting the city's future

Steel industry is still alive and thriving

"WE ARE still here. Steel is still alive and kicking, thank you very much."

Mr David Stone, managing director of Stocksbridge Engineering Steels in the town of the same name, just outside Sheffield, is keen to get the message across that the Sheffield steel industry is thriving. Stocksbridge, like other steel companies throughout the country, had a bad time during the recession of the early 1980s – but, also like several others, it appears to be over the worst and enjoying the buoyancy of the sector.

"Nobody, including myself, has liked what's happened over the last decade. But we are in better shape now."

The problems of low demand and "substantial overcapacity" in the early 1980s led to many plant closures and redundancies at British Steel, of which Stocksbridge was then part. Now a subsidiary of United Engineering Steels – the third of the phoenix companies that rose from the ashes of the British nationalised steel industry in 1986 as a joint venture between British Steel and GKN – Stocksbridge exported a record 100,000 tonnes last year.

Its parent company, Britain's second largest steelmaker, also reported a 44 per [illegible] pre-tax profits to [illegible] sales up 19 per [illegible].

The rationalisation [illegible] when UES was [illegible] job losses at the [illegible] plant; having [illegible] employees in 1986, Stocksbridge is down to 1,900 three years on.

"Six hundred jobs were talked about," says Mr Stone. "We haven't achieved that, but I believe the numbers now are about right." The company is still Sheffield's largest steelmaker.

The other side of the regeneration coin means investment in state-of-the-art equipment to keep the company abreast or ahead of its rivals. Stocksbridge makes special steels such as alloys or remelts for the automotive and aerospace industries, where high quality steels with particular characteristics such as high impact resistance or strength are needed. The firm's rivals are mostly other European steel producers, such as Sacilor of Italy or Thyssen of West Germany.

UES is investing about £200m over the next four years, of which Stocksbridge expects to get £50m. Since 1986 the parent company has invested about £150m, £25m at Stocksbridge, on equipment such as a new vacuum arc remelt furnace, a £7m inspection line, which Mr Stone reckons shows "world best practice," and dust extractors as part of a £500,000 environmental improvement scheme. Much of the steelmaking process is now automated and computer-controlled.

"We say we are the leading engineering steels producer in Europe and we believe it," he says.

Terry Worrall, managing director of private steelmaker Sanderson Kayser in the heart of the industrial part of the city, reckons that the workforce is the strength of his company.

He is proud of the way Sanderson managed to remain in profit all the way through the bad times.

However, the company did it only by shedding more than two-thirds of that prized workforce, cutting the payroll from 1,4[illegible] in the early 1980s to about [illegible] in 1983. The figure now stands at about 420.

Compared with Stocksbridge, Sanderson Kayser is a different animal. Its customers are small engineering companies. Its furnace is a one-tonner, and apart from providing steel for customers, its main tool steels section also makes the finished products such as segmental saws for metal cutting, machine knives for cutting carpets and paper, and hot shear blades used in bulk steel plants. It claims to be the only fully integrated steelmaker in the Don Valley.

Sanderson holds about 12 per cent of the UK market in tool steels, which make up 55 per cent of its business. Its steelmaking equipment, unlike Stocksbridge's, is not computer-controlled, but the company is investing in kit and reckons it has state-of-the-art grinding machines compared with Europe.

Much of Sanderson's business is through service centres located around the UK and on the Continent – a new one has just opened at Antwerp. Customers can order custom-built tools from the plant or standard products from the centres.

Sales and marketing director Mr David Irvine says the smallest batch Sanderson will handle is 250kg. The idea, says Mr Worrall, is that small companies which cannot afford to keep stocks of steel can be sure that they can get things quickly: "That's where we live," he says. "It is small and it's modest."

Both men believe that 1992 can only help their business. Sanderson's main concern is the 80 per cent import penetration from the rest of Europe, which Mr Worrall feels the company cannot redress by attacking those countries' markets. "Import penetration from Europe causes us distinct, serious concern because we believe it is unfair: 1992 will open their [other European countries'] markets," says Mr Worrall. They have been to the Continent to seek opportunities to increase Sanderson's export level of 20 per cent of its goods.

This year the company has BS5750 Part 2 certification under its belt, and has invested in degassing equipment to improve its steel quality. Worries at Sanderson include attracting skilled staff: "It is very difficult to get the right kind of people," says Mr Irvine.

Sheffield Forgemasters is another Phoenix company like UES. Set up in 1982 by merging British Steel and Johnson and Firth Brown interests, its birth was more difficult. After heavy losses in its first three years, its fortunes changed after a change of chairman in 1985. Mr Thomas Kenny, also chairman of Sanderson Kayser, restructured the unwieldy central management to split Forgemasters into separate companies that function autonomously, says Mr David Fletcher, managing director of the heavy engineering division that encompasses four companies. "It makes much more sense to run the business as a set of autonomous divisions," he says.

In October 1988 a management buy-out put the company into the hands of its managers and employees. Rationalisation also cut the workforce from 2,400 in 1988 to around 1,700. Three melting shops were reduced to one; seven forging presses to two; five machine shops to one; and five heat treatment plants to two.

As with the other two, Forgemasters makes special steels – there are no bulk steelmakers in Sheffield, says Stocksbridge's Mr Stone – but by forging and casting. It makes enormous 300 tonne parts – "things as big as a single-decker bus" – for the North Sea oil industry, of which it holds 90 per cent of the market, as well as flasks for spent nuclear fuel and generator rotor shafts of 100-tonnes plus. "It is the only plant of its kind in the UK – we really are an international business," says Mr Fletcher. The heavy engineering division's rivals are worldwide and include West Germany's Thyssen; Terni of Italy; Japan Steelworks, Kobe and Japan Castings and Forgings, of Japan; and Bethlehem Forge of the US.

Like the rest, Forgemasters has invested over the past decade. In heavy engineering, says Mr Fletcher, a lot has been spent on research and development. A recently announced £4m expansion programme for the aerospace division will concentrate on Special Melted Products, a Sheffield company specialising in remelted steels used for equipment such as aircraft landing gear.

Other Sheffield steel companies are enjoying similar good times. Arthur Lee reported record profits last year; for the six months to March, Johnson and Firth Brown lifted pre-tax profits 21 per cent. It is perhaps fitting that one of the stadia being built for the World Student Games in 1991 has a roof made of – Sheffield steel.

A lesson in partnership

Continued from Page 1

ago industrial leaders were saying it was all impossible, that we could not work with the local politicians, and would never be able to trust them. They said the ideological differences would be insurmountable. Well, there will always be ideological differences, but we have agreed on the things we can agree on and got with them.

"Sheffield's regeneration is as much about people and handling the problems of change as it is about physical renewal. The development corporation alone cannot solve problems: everyone needs to join in. We have to talk and develop respect for each other. They are very radical but there are many common areas between us. We all put the good of Sheffield first. It's very difficult to argue against that."

Clive Betts and Helen Jackson: concerned to get the balance right

Mr Betts brings a wide vision of economic structure to discussions, as might be expected of a Cambridge economics graduate who is also a son of working-class Sheffield.

He worries about the balance of the regenerating local economy and while this does not necessarily lead to what die-hard Tories might regard as "planning", it has made people think carefully about scrambling for any sort of jobs at any price, such as in retail or low-paid service sectors.

"We need a better balance, with more white-collar jobs," Mr Betts says. "But we also want them to go to decision-makers, not just clerical workers."

This helps explain why, faced with a shortage of office space in a city waiting for 1m sq ft of new offices to come out of the pipeline, the city council last month offered to evict one of its own departments to accommodate Norwich Union, which was looking to expand northwards with several hundred jobs.

In the end, some of the office space was disgorged in time, but the example illustrates an earnestness and understanding of the need for economic and social balance in any community if problems are not to emerge in the future.

Mrs Jackson is similarly firm on the point. She says that US evidence in similarly stricken manufacturing cities is that highly-paid steelworkers cannot adjust comfortably to different work in service industries where the pay is poor. New jobs have to be capable of generating enough added value for people to earn realistic wages.

She cites one large retail development in the city where 1,000 jobs were promised but only 600 materialised. Of these 400 went to women, of which 50 per cent were part-time and half of those employed people for single-figure hours only. It is the impact on male unemployment rates that really counts in regeneration.

That said, the partners in the rebirth of Sheffield recognised early on that training was going to be a crucial process in the years to come.

It is no accident that Sheffield will almost certainly get one of Britain's early Training and Enterprise Councils, if not the first one.

Mr Richard Field, who was president of the chamber before Mr Adsetts, will chair it. The public and private sectors will disagree about the working of the Government's controversial Employment Training scheme, but no one is in any doubt that the TEC will work and will produce the sort of well-rounded workforce a more balanced economy will need.

Davy McKee is another example of change in this area. The company has been in Sheffield for more than a century but was "slightly detached" from it, Mr Newman says. It now works closely with the polytechnic to ensure a general supply of engineering graduates and proselytises engineering in the schools.

Mr Newman chairs the polytechnic's board of governors. There is a steady flow of student placements and the company awards research grants to the institution. With 1,200 of its 5,000 employees in Sheffield, Davy McKee's metals division is no longer detached from its home town in any sense.

Other companies are similarly active and believe that a better community is emerging from their involvement.

Mr Betts and Mrs Jackson also have another worry, and one with which the private sector has sympathy.

As Mrs Jackson puts it: "I cannot help seeing the economic situation in a national and international context. Even with the best will in the world to work together locally, the prognosis is bad.

"Manufacturing is going down everywhere. In June the OECD reported a loss in the UK's share of world trade. There are major European areas in similar positions to ourselves where there is a much higher level of state investment in infrastructure and in creating a better climate for economic recovery.

"Britain's comparative under-investment will make the advent of the single European market in 1992 much more of a threat than an opportunity for places like Sheffield. Rail links alone are just one example of underinvestment at national level."

Mr Adsetts, who has just become chairman of the Yorkshire and Humberside regional council of the Confederation of British Industry, does not dissent much from that. Britain's chambers of commerce have given similar warnings.

Mr Betts says that Sheffield would be helped greatly if trains could reach London in 1 hour 59 minutes, with an hourly service – instead of 15 to 20 minutes slower, as now.

Better links – and that includes an airport and an all-weather motorway standard road to Manchester, less than 40 miles away – would help the partnership's impact on pockets of great deprivation which still exist in Sheffield.

Mr Betts says that unemployment ranges up to 30 per cent in the inner city, where there is real poverty. "We don't want to reduce unemployment only in the areas where things are OK already," he adds.

Nevertheless, the fruits of dialogue and teamwork are real. As Mr Betts puts it: "There is a lot of interest in Sheffield. We are even having problems in dealing with the volume of inquiries. There is a shortage of readily available land and we haven't got enough office space yet.

"But there is a feeling in the city that we can see an end to the troubles. Civic pride is returning for the 1990s."

VENTURE CAPITAL

Surge in funds and prospects

TAKE a stock of ambitious managers, a town-hall keen on stimulating local business, and an infrastructure of professional advisers, and the ingredients are just right for a surge in the venture capital market.

Such conditions prevail in Sheffield at the moment. The leaders – such as Investors in Industry (3i) – report a rapid acceleration in the number of investments they are making in the area – while their efforts are increasingly being stimulated by new local sources of venture capital.

What this boils down to is that there is no shortage of funds for Sheffield entrepreneurs wishing to engineer a buy-out or buy-in or launch a start-up. They have a choice of the following sources:

■ 3i. With a total of £581m invested in the UK in the year to March 1989, 3i is the country's largest venture capital outfit. Its business in Yorkshire as a whole is buoyant.

As Mr David Wilkinson, 3i's director in Yorkshire, puts it: "Applications for venture capital have always been a good barometer of economic change in the area. Over the last few years, management buy-outs and start-ups have risen dramatically."

3i has investments in some 350 companies in Yorkshire, representing a total of £26m last year. According to Mr George MacRitchie, senior investment controller at 3i's Sheffield office, the scale of investment has been growing at the rate of 25 per cent a year over the last three years.

■ Yorkshire Enterprise (YEL). This has some £25m invested in the region as a whole and has access to funds of up to £60m. Mr Peter Claydon, assistant managing director, says this makes it one of the UK's largest regional funds. Mr Claydon says that there has been a sharp rise in the demand for its services over recent months.

■ The Yorkshire Fund. This is a £25m fund which was launched in July this year and which intends to make investments in the £500,000 to £2.5m bracket. In spite of its greater resources, YEL's investments tend to be much smaller.

■ Backed by YEL are two Sheffield-based funds. These are: Sheffield City Investments Limited (SCIL), a joint venture with the Sheffield City Council, and Hallamshire Investments, a property development company established earlier this year and chaired by Mr Hugh Sykes.

SCIL will concentrate on smaller investments, while the primary objective of Hallamshire – which easily raised £7m earlier this year, £2m above its prospectus's minimum requirement – will be to turn itself into a fully-fledged property developer. In time, it intends to make small venture capital investments as well.

■ Mr Paul Gilmartin resigned from his post as Sheffield regional director for 3i earlier this year to start up his own fund, to be known as Yorkshire Venture Capital. Having raised £5m so far, the intention is to manage a fund of £10m-12m from a base in Sheffield. It will concentrate on ambitious, professionally managed companies with at least a three-year record of success. The minimum investment will be £200,000. Very large investments will be syndicated among other funds.

■ Two organisations are also strong investors in the Sheffield area – the South Yorkshire Pensions Authority, a local authority pension fund created in 1974, and BSC Industry, a fund established by British Steel to assist in the economic regeneration of areas blighted by recession in the steel industry. BSC Industry's headquarters have recently been moved from Croydon to Sheffield with the appointment of the Yorkshire-based Mr Vernon Smith as chief executive.

This proliferation of funds covers virtually the whole range of venture capital requirements – from the small stakes typical of BSC Industries to the much larger tranches invested by 3i and the Yorkshire Fund. In spite of Sheffield's roots, investments are not limited to the cutlery and steel industries, although, according to Ms Melanie Perkins, investment director at 3i's Sheffield office, there is a distinct bias towards manufacturing.

"Sheffield industry has been through a great deal of trauma in recent years," she says, "and those companies that are left are leaner and fitter that they ever were. They operate from a pared down cost base and their cash flows are strong.

"Manufacturers tend to be less vulnerable than service businesses to high interest rates. My last job was in Nottingham, and it was clear that service businesses there were suffering as a result of the squeeze on consumer spending. Companies up here are more robust: they have their eye on international markets rather than just local consumers."

Mr MacRitchie says that while many of the businesses are in engineering and steel, an increasing number of investments are made in companies that feed off advances in the engineering and steel sectors, such as electronics. Given the general improvement in the local economy, and Sheffield's location on the M1, there has also been an acceleration in the number of investments in wholesaling and distribution companies.

Recent investments backed by 3i range from large multi-million buyouts at Sanderson Electronics and Hall & Pickles, a manufacturer and distributor of sophisticated machine tools, to a "six-figure" tranche put into Kayfair, a restaurant company needing capital to open a brasserie on the site of an Indian restaurant. A major expansion programme at Glastics – a Rotherham-based glassware manufacturer – was financed by 3i, which took 30 per cent of the equity.

At the other end of the scale, Mr Vernon Smith, chief executive of BSC Industries, has put £50,000 into management buy-out at Intermet Refractory Products, and provided a secured loan to Pic Toys, a toy manufacturing company.

To many benighted souls who have the misfortune to live in the South of England, Sheffield is known only as the host of world championship snooker. Venture capitalists are helping the popularise the dreaded game yet further: in a £3m deal backed by 3i, Kerner Leisure, a local leisure company, has bought four snooker-centre sites in Sheffield and one in Stockport. After extensive refurbishment, these will house 125 tables and ought to be the best facilities in the UK.

David Waller

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INSIDE

Growers try to hop back

A new era may be dawning for the British hop. The fruit, used to impart both the bitterness and aroma to beers of all sorts, is still a vital ingredient for the brewing industry. However, technology has made it possible to make the fruit into pellets, or reduce it to extract, thus making it go further, while Britain's brewing industry has also succumbed to imports. The result has been a dramatic reduction in the area of southern England laid down to the traditional high-poled and wired hop gardens. Now, though, as Bridget Bloom reports, the hop growers are themselves adapting technology in an effort to make a comeback. Page 38

Soft drinks add sparkle

Record soft drinks sales in the UK helped boost profits of Reckitt & Colman, the UK multinational, with the group announcing pre-tax profits up 14.4 per cent to £98.56m for the half year to July. Chairman Sir Michael Colman said strong contributions to the performance came from the UK and Continental Europe. The performance in North America was affected by both competitive activity and product launch costs, while the Australian business produced excellent results in an uncertain economic climate, he added. Page 25

Foreigners savour Portugal

A short while ago the Lisbon bolsa was rather like the country it serves — a quiet backwater whose charms were known only to a few. Not now. Just as Portugal has become increasingly popular with foreign visitors, so has the stock exchange. Last spring's ambitious privatisation programme provided the impetus, and when demand for shares outstripped supply investors from all over Europe whose demand for shares could not be satisfied decided to shop around for paper on the Oporto and Lisbon markets. Page 42

The allure of jewels

Stock in Tiffany, the New York jewellery store group, soared yesterday after it was announced that Mr Donald Trump (left), a real-estate developer and hotelier, might be accumulating shares in the company. Mr Trump, who lives next door to Tiffany's celebrated Fifth Avenue store and exploited its cachet to attract business to his Trump Tower development that surrounds it on two sides, has received routine clearance under federal trade laws to own more than $15m of Tiffany stock. Page 20

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Metaleurop	232	+	16.1
Rises				Pechiney	1430	+	105.2
Kaufhof	572	+	12	Selet Looks	1462	+	75.7
Lufthansa	210	+	8.5	**Falls**			
Man Ord	332	+	18	Epeda	1351	-	47.3
Vag	347	+	6	SEB	1029	-	48.6
Falls				**TOKYO (Yen)**			
Henkel	571	-	5.5	**Rises**			
NEW YORK ($)				Chiyoda Shoe	3650	+	300
Rises				Kodensha	3740	+	300
CompuChem	14	+	3/4	Sankei Building	2120	+	270
Eastman Kodak	49 1/2	+	1	**Falls**			
Goodyear Tyre	57 1/4	+	1	Fanuc	1050	-	80
Tiffany	58 3/4	+	4 1/2	Miyaji Valve	1160	-	100
Falls				Toyo Eng.	1340	-	90
Allegan	21 7/8	-	2 7/8				
Mead	43 7/8	-	2				
PARIS (FFr)							
Rises							
Pichet-Bauche	1290	+	78.5				

New York prices as at 12.30pm.

LONDON (Pence)				Racal Telecom	392	+	14
Rises				Royal Ins.	457	+	12
Allied-Lyons	571	+	12	Saatchi	321	+	11
Barker (Charles)	106	+	7	Scot. & Newc.	381	+	5
Bass	1113	+	7	Shell	446	+	5 1/2
Brent Chems.	152	+	8	Sun Alliance	314	+	7
Cable & Wire.	598	+	18	THORN EMI	885	+	18
Carlton Comms	932	+	25	WCRS	791	+	7
Comm. Union	431	+	10	**Falls**			
Condor Grp.	1105	+	35	Cookson	260	-	16 1/2
Grand Met.	641	+	7	Eurotunnel Uts.	703	-	17
Maiford	378	+	12				
Polly Peck	369	+	70				

RHM sells Goodman Fielder stake at loss

By Ray Bashford in London

RANKS Hovis McDougall, the food and bakeries group, yesterday sold at a loss of A$58m ($43.7m) the 14.9 per cent stake it acquired four months ago in Goodman Fielder Wattie, the biggest food company in Australia.

The company announced the sale of the stake after the close of trading on the London stock market yesterday, ending months of speculation that RHM was attempting to withdraw from its entanglement with the Australian company.

The sale dissolves the final link between the companies and brings to a close three years of hostility, during which each has attempted to acquire the other.

A short statement said that the block of 154.2m shares had been sold to the Australian arm of Barclays de Zoete Wedd for about A$327m compared with the purchase price of A$385m.

The sale price values each share at $2.12, compared with yesterday's closing price on the Sydney Stock Exchange of $2.30.

It is understood that the majority of the block has been broken up and placed with institutional investors.

The loss on the sale lifts the cost of RHM's involvement in Goodman Fielder during the past four months, including charges associated with the abortive takeover bid launched for the Australian company last April, to more than £50m.

RHM added that the proceeds from the sale would be used to repay group borrowings.

The bulk of the holding was acquired during a dawn raid on Goodman Fielder four months ago which followed RHM's decision to launch a £1.5bn takeover bid for the Australian company.

Goodman Fielder immediately rejected as "totally inadequate" an offer which RHM said was designed to achieve international expansion.

The surprise takeover bid turned the tables on Goodman Fielder, which had been stalking RHM since August 1986, when it acquired a large stake in preparation for the £1.7bn takeover bid it launched in July 1988.

Goodman Fielder built up a 29.9 per cent stake before abandoning the bid when it was referred to the Monopolies and Mergers Commission. RHM felt vulnerable to takeover while Goodman Fielder held a 29.9 per cent stake and the takeover bid was seen as partially defensive.

Last May the saga took another and perhaps decisive turn when the Australian company sold its 29.9 per cent stake in RHM to the Sunningdale consortium, led by Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packer, who are also the driving forces behind the attempted takeover of BAT Industries.

The continued ownership of this holding has left RHM vulnerable to a bid. RHM withdrew its offer for Goodman Fielder following the sale of the stake to Sunningdale. The cost of mounting the abortive bid is estimated at up to £25m.

US group buys 9% stake in Saatchi

By Clay Harris in London

SHARES in Saatchi & Saatchi, which is struggling to maintain its position as the world's leading advertising agency, jumped 11p to 321p yesterday after a small Tennessee-based investment management group emerged with a 9.4 per cent stake.

The acquisition will increase speculation about the future of Saatchi, which announced in June that it was planning to refocus its business on communications and was prepared to sell its consultancy arm.

Southeastern Asset Management, based in Memphis, said its purchases on behalf of clients were "for investment purposes only" and were not being made with a view toward changing or influencing control of Saatchi.

Nevertheless, Southeastern appears to have committed about 3 per cent of its total of $2.3bn funds under management to Saatchi, an unusually high proportion for a single stock. Despite its relatively small size, the Memphis firm last year had one of the top 10 records among US fund managers.

Saatchi declined to comment.

It has been pressed recently for the number one spot in the world by Mr Martin Sorrell's WPP Group, which owns J Walter Thompson and Ogilvy & Mather. Southeastern owned shares in both agencies' parent companies before WPP took them over.

Yesterday's rise in Saatchi's price lifted the market value of its ordinary shares to £508m ($782m). This is still less than half the peak of nearly £1.08bn reached in July 1987.

Lex, Page 18

Renault chairman reshuffles top management team

By William Dawkins in Paris

RENAULT, France's increasingly profitable state-owned car maker, yesterday reshuffled its top management to prepare the succession to Mr Raymond Levy, the chairman, who is due to retire in three years.

Mr Levy, 62, announced the appointment of two deputy managing directors, both drawn from within the group, to bolster strategy ahead of the changeover.

Yesterday's moves are the latest confirmation of Mr Levy's team management style, a contrast with the more autocratic philosophy of his predecessor, Mr Georges Besse, who was assassinated three years ago.

They come as the group is basking in a remarkable profits and sales recovery, overshadowed by a long row with the European Commission over the legal conditions under which the Paris Government should be allowed to write off FFr12bn (£1.15bn) of Renault's debts.

Among those promoted are Mr Philippe Gras, 52, who is credited with achieving a spectacular turnround for RVI, Renault's formerly troubled trucks division, of which he was the head.

Formally, Mr Gras is replacing Mr Aime Jardon, technical director, who will retire shortly after 39 years with the group, and he will take charge of technical development in his new job.

The other new joint managing director is Mr Louis Schweitzer, 48, currently finance director, a responsibility he will continue to hold.

Mr Gras' old post at the head of RVI will be taken by Mr Jean-Pierre Capron, who has been administrator general of France's Atomic Energy Commission since 1986.

They will both become members of a new executive strategy committee, that will also include Mr Levy, Mr Patrick Faure, Renault's secretary general, and Mr Paul Percie du Sert, commercial director.

Meanwhile, Peugeot's management is to meet trade unions this morning to try to halt a strike which has cut production at the main plant for the group's 205 car to roughly a quarter of normal levels.

The pay dispute began in the bodywork department at Peugeot's CPM factory near Mulhouse early this week, spreading by yesterday to the paint shop, foundry and other parts of the factory.

This is the first strike at this plant for 17 years, and one of the rare recent occasions that industrial unrest, most noticeable of late in the public sector, has broken out in a leading French private company.

Daily production was running at between 300 and 400 cars, as against normal output of 1,300 units, said Peugeot.

Officially, 1,200 of the 12,000 staff are on strike, but more than twice that number are unable to work because of the disruption.

The Communist-led CGT, supported by three other unions, is claiming a monthly pay rise of Fr1,500, which the management maintains is equivalent to a 30 per cent increase.

The unions have rejected the management's offer of 2 per cent.

Resting its future on an attack on three fronts

Haig Simonian looks at the aims that led Deutsche Bank into its unprecedented two-year spending spree

In the past two years, Deutsche Bank has embarked on a buying spree unparalleled by any other financial institution in Europe. The aim has been to transform its retail and investment banking coverage abroad and fill in gaps outside the immediate banking business at home.

Deutsche Bank wants to become a leading force in three areas; retail banking, predominantly in the European Community, ahead of 1992; investment banking across the globe; and broad finance-related services, an expansion which has so far been concentrated in Germany, but which the bank is already showing signs of being prepared to export.

The ball started rolling in December 1986, when the bank spent $603m on Banca d'America e d'Italia, an Italian commercial bank that belonged to Bank of America (BoA). Since then it has acquired other banks in Spain and, most recently, Austria.

But matters have moved even faster in investment banking, where Deutsche Bank's cautious executives have often used its position in joint ventures as a springboard to full control. MDM, the Portuguese investment bank it now wholly owns, is to be expanded. So too is Albert de Bary, the Dutch trade finance house it took over fully last December.

However, Deutsche Bank has followed no single course to expand in international investment banking. In Canada and Australia, two markets which have proved attractive to German investors, it has made acquisitions. By contrast, purchases have taken second place to organic growth in bigger financial centres like New York, where the bank is already well established.

In New York, Deutsche Bank Capital Corporation, which recently moved with the bank's local branch into prestigious new premises at the former E F Hutton building, has taken up US Treasury bond trading. And in London, Deutsche Bank Capital Markets, its Euromarkets operation, has started selling German equities via the International Stock Exchange's SEAQ system.

Foreign bankers sometimes tend to brush off such growth as just "catching up" by German banks, which, after all, lost all their foreign banking interests after both the First and the Second World Wars.

Deutsche Bank is certainly still making up ground in international commercial banking. But there too it has been moving fast, even in areas which have not been high on commercial banks popularity lists. Last year it bought 28 branches in Argentina from Bank of America and opened two more in nearby Brazil. This year has seen the opening of a new branch in New Delhi.

It is, however, the third leg of the bank's strategy, involving wide-scale financial services, which has distinguished it from almost all its competitors. Buying into Roland Berger, Germany's biggest domestically-based management consultant, and Zimmer, one of the country's biggest commercial property agents, were certainly unusual steps for a German bank and triggered a number of similar deals by rivals.

Deutsche Bank's push into retail financial services, crowned by last month's insurance initiative, four months ahead of schedule, marks the greatest determination to foster change.

Both Deutsche Bank Bauspar, the specialised home savings operation established in 1987, and, more importantly, its new life insurance unit, Lebensversicherungs-AG der Deutschen Bank, have demonstrated a willingness to challenge established practice in Germany.

This is clearly irritating established practitioners including companies like Allianz, Germany's biggest insurance company and traditionally one of Deutsche Bank's closest corporate friends. Deutsche was conspicuously and unusually absent from the list of banks underwriting Allianz's multi-currency bond issue earlier this year.

Acquisitions and new start-ups may not be difficult for a well-capitalised bank with a large cheque book, but how well will Deutsche Bank be able to manage its new activities? And how adequately will its new businesses contribute to profits?

Management strains may be eased by the bank's strongly decentralised structure, which is seen most clearly in its German operations, where regional head offices enjoy a great deal of independence.

However, co-ordination may be much more difficult abroad. At least the bank's new investment bankers may have a little more in common than their commercial banking colleagues. The bank is making strenuous efforts to promote closer ties among its investment bankers and give them a higher profile at home.

Early last month, the bank shocked both its counterparts and many of its own employees by boldly welcoming senior executives to its first international investment banking get-together with prominent adverts in four leading newspapers.

The fact that Deutsche Bank adopted such an unprecedently high profile to promote itself, even at the risk of antagonising some of its local staff, shows how matters are changing at what was traditionally Germany's most conservative financial powerhouse.

But how easy it will be to get the polyglot mix of Australians, Canadians, Dutch, Portuguese and countless other nationalities to work together — let alone with head office in Frankfurt — is another matter. July's seminar, which was also a first in that it was held entirely in English — may point the way into the future.

While building up the right culture will take time, profitability will be the greatest short-term challenge. Although the bank is likely to report near record profits this year, its overall numbers will hide a lot of detail.

In 1988, the German market accounted for 62 per cent of group business volume, but 83 per cent of operating profits. Admittedly, domestic earnings were inflated by income from non-operational assets, such as the bank's big domestic equity stakes. But the figures still show that expanding abroad is a costly business.

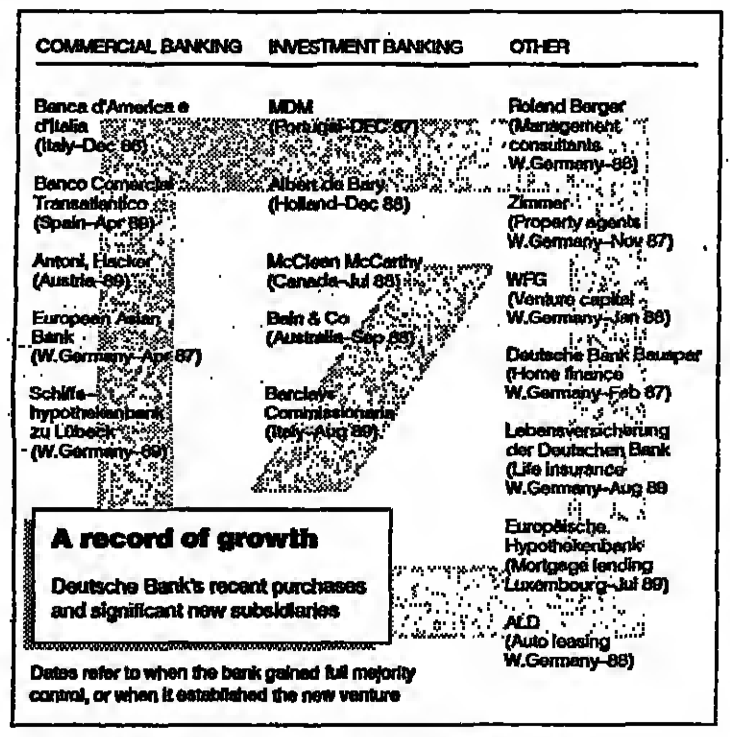
For by contrast, Europe outside Germany accounted for 24 per cent of business volume but just 13 per cent of operating earnings. And the combined figures for North and South America were more striking still, comprising 10 per cent of the bank's business but just 2 per cent of operating earnings.

With many of its foreign activities still in the investment phase, profits are bound to remain under pressure. And Deutsche Bank hardly differs from most of its international rivals in finding that its bread is buttered thickest at home.

Meanwhile, the bank has recognised the difficulties of assimilating its new employees from around the world. The newcomers represent not just different nationalities, for whom German practices may not come easily, but also Germans from other businesses, such as insurance, which may not immediately mix with banking.

Mr Alfred Herrhausen, the bank's chief executive, has regularly stressed the importance of increased communication, particularly within the bank, at a time of such fast growth. There are clear signs that his words are being taken seriously in order to persuade staff about the benefits of working for their new employer.

Just explaining to them what Deutsche Bank is all about will take time and effort. Getting them to make money should, in theory, be relatively easy by comparison.



A record of growth

Deutsche Bank's recent purchases and significant new subsidiaries

Dates refer to when the bank gained full majority control, or when it established the new venture

Polly Peck shares leap on news of $875m deal with Del Monte

By Vanessa Houlder in London

SHARES IN Polly Peck International, the agriculture, electronics and textiles group, yesterday leapt from 299p to 369p in response to its $875m acquisition of the US Del Monte Corporation's fresh fruit operations.

The rise in the share price, which pushed Polly Peck's market capitalisation up to a record £999m, resulted from a favourable reaction to the strategic logic and pricing of the deal. The City was also relieved that Wednesday's rumours that Polly Peck was ready to buy the entire Del Monte business were incorrect.

The Del Monte fresh fruit business, which is the world's largest distributor of pineapples and the third largest distributor of bananas, is expected to make Polly Peck the third largest fruit company in the world. It is being sold by RJR Nabisco in the wake of its record $25bn buy-out by Kohlberg Kravis Roberts.

Mr Asil Nadir, chairman, described the purchase as a "remarkable opportunity". He said the two businesses were truly complementary because PPI was strong in citrus fruits and in many European markets, whereas Del Monte was strong in bananas and pineapples and in the North American and Far Eastern markets.

Mr Brian Haycox, chief executive of Del Monte Tropical Fruit, said Polly Peck was his own personal choice of bidder.

Following the deal, the fruit operations will account for almost two-thirds of the group's business.

Lex, Page 18

ABB to pay DM480m for German offshoot

By Andrew Fisher in Frankfurt

ASEA BROWN BOVERI, the Swiss-Swedish heavy electrical engineering group, will pay around DM480m ($240m) for the 22 per cent of shares it does not already own in its large West German subsidiary which has a turnover of more than DM6bn and accounts for about a fifth of worldwide sales.

The group said the move, first announced on Wednesday, was intended to broaden its shareholder base. Shares of BBC Brown Boveri, the Swiss company which merged with Asea of Sweden last year, are also being listed in Frankfurt to strengthen access to the German capital market and increase the number of German shareholders.

The group is offering DM645 in cash for every share in the German company, Asea Brown Boveri, Mannheim, a premium of 20 per cent on the latest share price. Those opting for shares in BBC will receive a 22 per cent premium. It is not offering Asea stock, as this would make the transaction too complicated.

Trading in the shares of ABB, Mannheim, was suspended on Wednesday ahead of the announcement; they stood at DM536, with the participation certificates at DM275.

Shareholders deciding not to take cash can opt for either one BBC bearer participation certificate plus DM340 in cash for two ABB Mannheim shares, or for one BBC bearer share plus DM440 in cash for 10 shares in the German company.

Holders of participation certificates in ABB Mannheim can exchange one unit of DM100 par value for DM325 in cash.

Shares of ABB Mannheim have performed strongly this year, benefiting from the steep rise in group profits and from the effects of its own restructuring. The suspension price compares with a 1989 low of DM355.

Thus Miss Susan Anthony, an analyst with Robert Fleming Securities in London, reckoned the terms of the offer to buy out the German minority shares were fair.

APV gives way to Klöckner-Werke in bottling battle

By David Goodhart in Bonn

THE LONG-RUNNING dispute between Klöckner-Werke, the West German steel and capital goods group, and APV, the UK food-processing machinery group, over control of an important slice of the world drinks machinery industry, has been resolved in favour of the German company.

APV has agreed to sell its 40 per cent stake in Seitz Enzinger Noll (SEN) to Klöckner, which now owns 90 per cent, instead of continuing to battle for control. Mr Fred Smith, APV chief executive, admitted that with Klöckner already holding 50 per cent, and firmly set against selling, the stalemate could have continued indefinitely.

"It remains our aim to get into the carbonated drink bottling market – 80 per cent of which is in Germany – and we are currently negotiating with another German company," he said. He added that the SEN stake had been sold to Klöckner for DM45.4m having been bought for DM39.6m more than a year ago.

The deal also involves Klöckner selling its 20 per cent stake in a Klöckner-APV joint venture – the Dortmund-based Rosista which makes bottle fittings – to APV for DM3.8m.

Although involving relatively small sums the deal could change the face of the highly concentrated drinks machinery market. Klöckner has been trying to merge SEN, which has a current turnover of about DM450m, with its slightly larger, and more profitable, subsidiary Holstein & Kappert (H&K), for about six years.

Because of the objections of one shareholder and then Klöckner's own hesitation about a merger, APV was able to acquire its own blocking stake of 40 per cent and then won considerable support from the SEN board and the trade unions by arguing that Klöckner's only motivation would be to rationalise through merger while APV would build up the company.

Klöckner has now agreed, as part of the deal, to retain SEN as a seperate company, although most analysts expect a *de facto* merger over the next few years.

Trump interest sparks rise in Tiffany stock

By James Buchan in New York

STOCK IN Tiffany, the high-flying Fifth Avenue jewellery store group, soared yesterday in response to the announcement that Mr Donald Trump, a real-estate developer and hotelier, may be accumulating shares in the company.

Tiffany stock, which has doubled already this year on the strength of sharply rising earnings, rose $4½ to $58¾ in morning trading in response to the Trump announcement.

Mr Trump, who lives next door to Tiffany's celebrated Fifth Avenue store and exploited its cachet to attract business to his Trump Tower development that surrounds it on two sides, has received routine clearance under federal trade laws to own more than $15m of Tiffany stock.

But Mr William Chaney, Tiffany's chairman, said Mr Trump had told him that his filing under the Hart-Scott-Rodino Act was for an investment not for takeover purposes. Ms Susan Heilbron, an attorney for the Trump Organisation, was quoted as saying: "Mr Trump thinks Tiffany provides an exciting investment opportunity."

Tiffany, which was founded in 1837, has enjoyed a renaissance in its fortunes since it was sold to its management and other investors by Avon Products, the cosmetics group, in 1984.

Second-quarter net income rose 43 per cent to $5.6m or 36 cents a share, on a 37 per cent rise in sales to $62.6m, and the company is among Wall Street's most highly valued stocks relative to its profits.

First-half profits recovery at Snecma

By William Dawkins in Paris

SNECMA, the French state-owned aero-engine maker, has unveiled a profits recovery for the first half of 1989 but a decline in orders compared with early 1988.

The company, which supplies engines for Boeing and Airbus jointly with General Electric of the US, made a net profit of FFr25.4m ($3.8m) in the six months.

That compares with a FFr295m loss in the same period of last year, when output was hit by a three-month strike. By the end of 1988, Snecma had scaled back the loss to FFr250m.

First-half sales rose to FFr5.4bn, FFrom FFr3.7bn in 1988, mainly thanks to an advance in deliveries of civil aircraft engines, which accounted for 60 per cent of turnover for the period.

However, the outlook for the year is clouded by the fact that orders received during the past six months fell to FFr5.8bn, FFrom FFr7bn in the same period last year.

BP to sell off Wolf Lake oil interest

By Robert Gibbens in Montreal

BP CANADA has put its 50 per cent holding in the Wolf Lake heavy oil project in East Central Alberta up for sale as part of a restructuring of its energy business. The other half is owned by Petro-Canada.

Wolf Lake Phase I, a steam injection project, came into production in 1985 at 8,500 barrels daily. Construction of Phase II with 15,000 barrels daily capacity was completed this summer, but start-up has been delayed *one year at least* pending higher oil prices.

BP Canada has invested over C$200m (US$169.5m) on the Wolf Lake project. Petro-Canada "farmed in" after the start of development.

The offer includes BP Canada's share of the undeveloped reserves and leases.

Sydney to probe two Bond units

By Chris Sherwell in Sydney

AUSTRALIAN stock market regulators are to investigate transactions involving two key companies under the control of Mr Alan Bond, the debt-laden Perth tycoon, because the authorities suspect offences may have been committed.

The National Companies and Securities Commission (NCSC) said yesterday it would hold a hearing into various deals between Bond Corporation, his quoted flagship company, and its Bell Resources subsidiary.

This amplified already intense speculation about the future of Mr Bond's beleaguered business empire, which includes mining and property investments as well as a brewing side with brands such as Swan and Castlemaine XXXX.

As if to confirm the depth of the group's plight Mr John Elliott, head of the rival Elders IXL – brewer of Foster's – said yesterday that his group's Elders Finance subsidiary has for the past six weeks been discussing a rescue package for Bond Corporation because "it is very important that Alan Bond survives."

Mr Bond later acknowledged that discussions had taken place with Elders "in relation to business transactions." But he denied that any rescue package was involved.

On the stock exchange, shares in Bond Corporation remained just above their five-year low at 43 cents.

From Perth, the Bond group said it welcomed the NCSC's plans "as it will give the group the opportunity once and for all to clear up any uncertainties which have arisen as a consequence of media speculation and innuendo about these matters."

The NCSC said its suspicions had arisen from investigations into certain transactions involving Bond Corporation and Bell Resources. These involved:

- The Emu brewery site in Perth, including a deal with FAI Insurances regarding the site;
- Shares in Bond International Gold, including an options arrangement between Mr Bond's Dallhold group and the Corona group of Canada; and
- The proposed A$3.5bn sale of Bond Corporation's brewing assets to the 58 per cent-owned Bell Resources.

The NCSC said it had reason to suspect that offences may have been committed by directors and officers of Bond Corporation and/or directors and officers of Bell Resources. It had therefore decided to hold a private hearing to further investigate the transactions.

According to local newspaper speculation, which Mr Elliott yesterday described as "partly correct, partly not," Elders is interested in buying Bond Corporation's Swan brewery interests in Western Australia and, through its Elders Resources affiliate, some of Mr Bond's mining interests.

Elders and Bond together control more than 90 per cent of the Australian beer market and a complete merger of the two brewing divisions would be unlikely to survive antitrust objections.

Other names mentioned in the context of a break-up of the Bond empire include, for the brewing assets, Allied Lyons of the UK, Anheuser Busch of the US, Lion of New Zealand and Australia's SA Brewing.

Abbey National in surprise share placing

By David Barchard in London

A SURPRISE PLACING of 29m shares in Abbey National, the UK building society, at a price below the prevailing level was snapped up within hours yesterday on the London Stock Exchange.

The shares were left over from Abbey National's flotation on July 12 which converted what had been the second largest UK building society into a public company with a stock market quotation.

Rowe & Pitman, the stockbroking arm of Warburgs, and Kleinwort Benson Securities offered them at 143p, a discount of 5p on yesterday's opening price.

The shares were placed with a large number of different buyers, but it is understood that at least one buyer would have bought the entire placing, equivalent to a 2.3 per cent stake in Abbey National.

Among those who have cause to be disappointed at the sale are 1,750 widows who held joint accounts in the society but whose husbands died during the run-up to the flotation last spring.

The shares which would have gone to them, had their husbands lived, were among those sold.

Mr John Fry, Abbey National Group Services Director, said that the group was legally barred from compensating them in any way.

The sale of the shares will have brought Abbey National £15.81m ($24.5m) which will be set against the £80m cost of the flotation.

Most of the shares disposed of yesterday came from a pool of 19.9m shares left over from the new shares sold to members in July. A smaller batch of 10m included duplicated issues to single individuals as well as those which would have gone to the widows.

The size of the pool of unsold shares is considerably larger than comparable residues from government privatisations, apparently because Abbey National held back a larger number of shares in case of a backlog of applications delayed by a postal strike at the time of the float. In the event, a large number of share certificates were destroyed before they reached shareholders in circumstances which have still not been fully explained.

Abbey National has waited for several extra weeks before disposing of the excess shares.

Mr Fry said yesterday that Lloyds Bank, registrar for the flotation, had almost completed the recovery work involved in identifying and replacing the missing share certificates and some refund cheques.

However Abbey National will hold 2.13m shares in reserve against further claims until the end of the year.

Ajinomoto admits high cost of Belgian deal

AJINOMOTO, the Japanese food processing company, yesterday completed its purchase of Omnichem, the Belgian fine chemicals company, acknowledging that it had been ready to pay a high price to get into the EC market before 1992, writes David Buchan in Brussels.

Mr Shunsuke Inamori, Ajinomoto's overseas director, said that the BFr3.78bn ($94.4m) paid for Omnichem, plus assumption of more than BFr1bn of the Belgian company's debt, was "probably a high price," but he reckoned that it was one worth paying to get into the EC market and to prevent any rival making the acquisition.

Ajinomoto wanted Omnichem for its production of synthetic intermediate chemicals for the food industry, he said, and having studied the company for the past two years had "decided to buy it at virtually any price."

Omnichem exported some 4 per cent of its turnover to Japan already, and Mr Inamori hoped that the Belgian company would increase these exports, plus those to the US, as a subsidiary of Ajinomoto. Omnichem's existing management would be retained.

The deal is one of the largest European acquisitions by a Japanese company, and bucks the trend of Japanese business to sink its larger European investments into greenfield sites.

Ajinomoto already has a plant producing amino acids in France, as well as several sales subsidiaries in Europe.

To manage these, it plans to set up a co-ordination centre in Belgium, taking advantage of special tax breaks offered here for such management operations.

INTERNATIONAL COMPANIES AND FINANCE

Rival shipbuilders steamed up over Wärtsilä rescue

The treatment given the loss-plagued company has met considerable criticism, writes Enrique Tessieri

Tempers are running high in Finland over last month's bail-out of Wärtsilä Marine, one of Europe's biggest privately-owned shipbuilding companies, which had been pushed close to bankruptcy over the past two years by a raft of serious financial and industrial problems.

The deal has raised eyebrows, and a number of unanswered questions. For one, rival companies and others close to the industry are asking how much money was siphoned into the complex financing package agreed after two weeks of tense talks between the Government, Wärtsilä Marine, and its parent company Wärtsilä.

Although Ministry of Trade and Industry officials talk about a sum of "hundreds of millions of Finnmarks" to salvage Wärtsilä Marine's operations and ensure delivery by 1991 of all 60 vessels on order, other observers speculate a much bigger sum of FM1.5bn ($336m) to FM2bn.

Questions are also being asked about which members of the Government gave their backing to the rescue. But the biggest poser is whether there is a healthy future for the Finnish shipbuilding industry.

Whatever the answers, it seems clear that the rescue represents a big shift in state policy on subsidising struggling industries. Back in 1982-83, Mr Esko Ollila, then Minister of Trade and Industry, set the framework for Government industrial policy by saying there would be no financial injections to any Finnish companies in trouble, be they public or private.

This policy has been broadly adhered to since then, and both the Government and the shipbuilding companies have complained bitterly about subsidies to EC shipyards.

But the problems of Wärtsilä Marine have proved too tough a test for this robust approach. The division has blamed a seemingly bewildering variety of negative factors for its problems, apart from EC subsidies, there have been no new ship orders from the USSR for the past three years – the supply of ships such as ice-breakers to the Soviet Union has been an important bread-and-butter business for Wärtsilä for many years.

Further, the company has pointed to Finland's inflation rate which reached 5.1 per cent in 1988, the revaluation of the Finnish markka by around 4 per cent and labour shortages as major factors that severely undermined the financial state of the company.

But internal factors could also be partly to blame. Wärtsilä Marine, formed in 1987 when Wärtsilä's shipbuilding division merged with the shipbuilding interests of state-owned Valmet, represented the first attempt to address these problems, but may have exacerbated them; there are few precedents anywhere for merging private and state-owned businesses under one roof, and the two Finnish shipbuilding giants were bitter rivals in the past. Valmet still has a 30 per cent stake in the business.

As the new division's problems worsened, Wärtsilä realised in June that it would have to resort to drastic measures because losses this year were likely to be much higher than ever expected. The division has incurred losses of about FM500m since it was established, and are likely to reach FM1bn by the end of this year.

The rescue deal, further details of which emerged last week, sees Wärtsilä reducing its stake in the troubled division from 70 per cent to 19 per cent. The 51 per cent will be taken up for nominal sums by Union Bank of Finland (19 per cent), Pomi, a holding company 20 per cent owned by UBF, (10 per cent), and two Wärtsilä pension funds which will jointly own 22 per cent.

The main backers for the financing package to see the division through to 1991 are Finland's Export Guarantee Board and State Guarantee Board, which will carry a 50 per cent responsibility for financing the company, and UBF and state-owned Postipankki with a joint 25 per cent responsibility. The final two, Wärtsilä and Valmet themselves, will collectively have responsibility for the remaining 25 per cent.

Given the unprecedented nature of the rescue, the affair has left a lot of irritated people in the shipbuilding sector over the preferential treatment the Government gave the loss-plagued company.

One of the most vociferous critics is Mr Tauno Matomaeki, president and chief executive of the engineering and shipbuilding group Rauma-Repola, whose marine division incurred a FM226m loss last year on sales of FM1.26bn.

"The Government is watering down the real losses," Mr Matomaeki said. "Losses at Wärtsilä (Marine) could have been many times higher than what have been revealed publicly. . . They should allow Wärtsilä Marine to go bankrupt – it's too expensive (for the tax payer) to keep afloat."

The row over the rescue may cast a shadow over further talks on the long term future of Wärtsilä Marine and the future of the shipbuilding industry. The Government will be discussing this with the representatives of the financing package, and possibly Rauma-Repola and Hollming, the other smaller Finnish shipyard, in the next few months. These talks are expected to produce an answer by this year.

But there are not many options open. Some believe that one feasible solution would be to merge Rauma Repola's marine division and Hollming with a smaller Wärtsilä Marine. In order to keep this new company afloat, the Government would most likely be obliged to subsidise.

But both Rauma-Repola and Hollming may demand similar preferential financial treatment to that received by Wärtsilä Marine. Mr Matomaeki said: "If I could get the same Marine did, I would even stand on my head."

A shipbuilding analyst added: "If Rauma-Repola and Hollming don't want to be part of a merger with Wärtsilä Marine in the future, the Government will have no choice but to allow the company it has temporarily bailed out to file for bankruptcy."

Already one attempt to combine most of the industry has foundered. Wärtsilä Marine, Rauma-Repola, Hollming and the Government began talks in November on the possibility of merging the three shipbuilders into one company.

But negotiations ended in mid-January without any concrete results, because of a dispute over the appropriate level of subsidy. The companies also wanted subsidies to include existing ship orders.

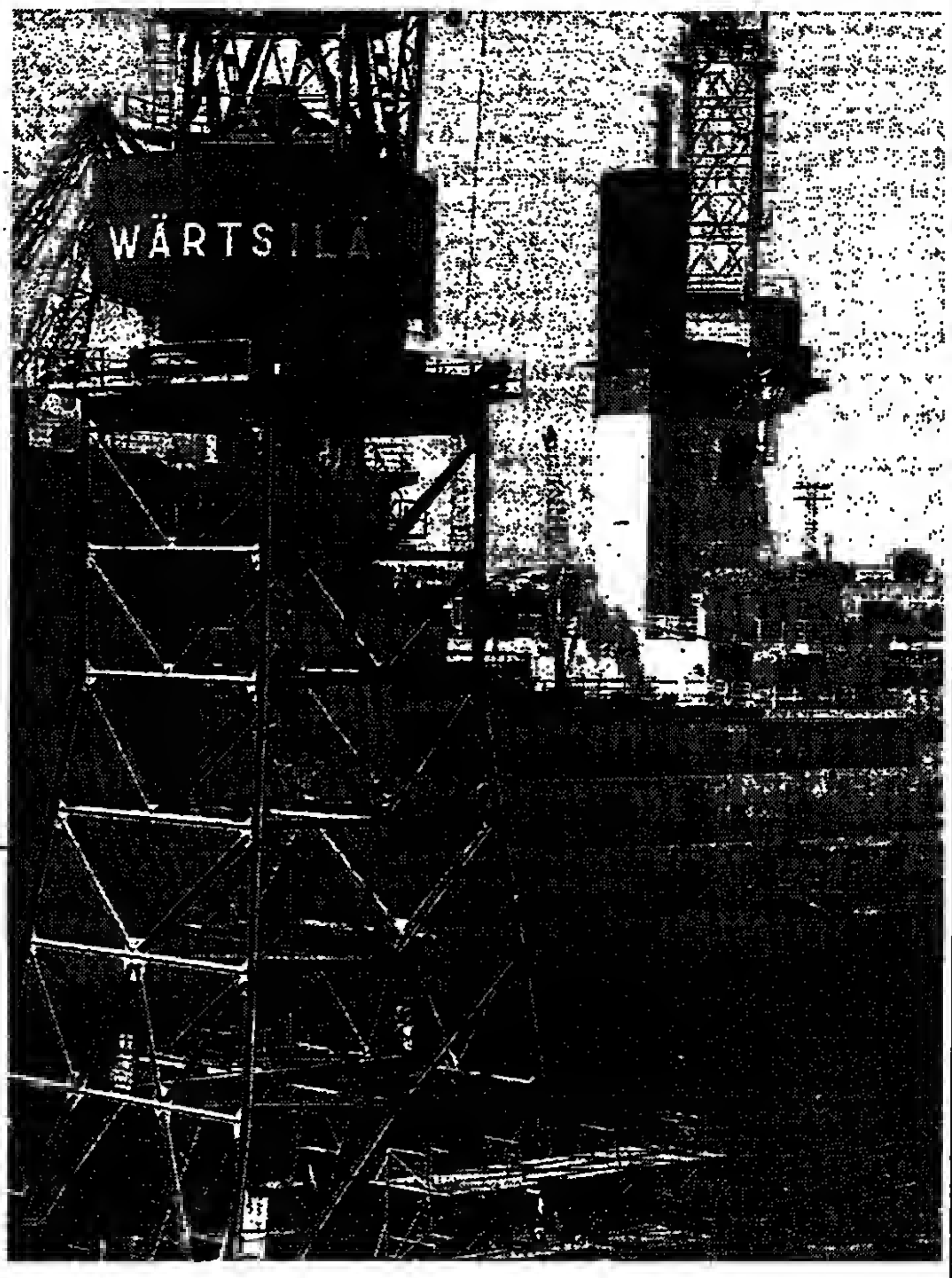
The Government announced instead in January that it would provide loans and tax relief for 15 per cent of the total value of vessel orders. This compares with similar subsidies of up to 25 per cent in the EC.

As for the financial implications of the rescue for Wärtsilä and Valmet, the reduction in Wärtsilä's stake to below 20 per cent means it will no longer have to equity account for the division. Valmet officials too have said they are willing to follow Wärtsilä's footsteps and reduce the state company's stake to below 20 per cent.

Wärtsilä says it may be able to salvage FM50m from its equity stake of FM1.05bn in the division. Valmet, meanwhile wrote off FM90m last year of its equity stake of FM450m in the company.

But Wärtsilä argues that its profits this year before extraordinary items from its other divisions will bring in FM400m and put the company in the black after it has written off book losses on the marine division.

The biggest challenge for Wärtsilä is how to create a new image of itself without its marine division, for which it has been internationally well known. Whether its diesel, sanitary techniques systems and security divisions (see below) can fill the shoes of its bygone shipping operations remains to be seen.



Alan Harper

An atomic icebreaker destined for Russia nearing completion at the Wärtsilä shipyard

Locking up another market

IN ANOTHER part of the forest, and a long way from Wärtsilä's problems in shipbuilding, the past two years have seen a spate of acquisitions in the company's security division, a striking example of the Finnish pastime for exploiting "niche" markets.

The activity might suggest that Wärtsilä's move into the security business was a short-term response to its woes elsewhere. In fact it is some 20 years since the Finnish company bought Abloy, Finland's leading security company, as it knew even in the late 1960s that it had to be seen as something more than a shipbuilder.

The attractions of this business sector are now becoming more obvious as companies, hotels and other entities take a growing interest in security. Wärtsilä, though, is in only one part of the business, access control systems – locks and other methods of getting the right people into and out of doorways.

But, according to Mr Conrad Sandler, managing director of the UK arm of Wartsila Security and a member of the division's management board, access control is the fastest-growing segment of what is the world's second biggest growth industry – the biggest being crime, he adds wryly.

The division has broadly followed a twin-track expansion strategy. In Scandinavian markets where there is normally room for only one major player, the backbone of the business is conventional locking products – a "ludicrously profitable" affair in Finland, says Mr Sandler.

Overseas the division has concentrated on more specialised products, spearheaded by its VingCard locking system for hotels, which claims about 80 per cent of the card access market worldwide.

Two significant acquisitions were made last year, the Primo architectural hardware group in Finland, and Mr Sandler's own company Warshaw Security in the UK. The UK is now in second position behind the US among Wärtsilä export markets, but in 1988 the division still derived 75 per cent of its FM525m sales from Scandinavia.

That percentage should come down after two deals so far in 1989. In June Wartsila Security paid DM65m for 97 per cent of Carl Zeiss Ikon, the West German systems lock maker owned by the Carl Zeiss Stiftung (Foundation). This, says Mr Sandler, gives the division "one of the best possible springboards into the mainland European market."

Then, late last month, Wartsila Security paid $40m for California-based Cardkey Systems, the world's leading manufacturer of card access control systems. The deals, along with internal growth, should boost 1989 sales to FM800m-850m.

For the future Wartsila Security is pinning its hopes largely on greater penetration by VingCard – only 10 to 15 per cent of the world's hotel rooms have been converted to card locks – and on extending its usage into offices, nursing homes and other buildings. Its toughest competitor in Europe is Newman Tonks of the UK.

Further ahead, Wartsila Security is looking to the time when security in the home will be integrated with household appliances and audio/visual electronic products. It is already talking to Sony, JVC and others about the application of infra-red technology to this field. The division is also looking at how personal credit cards could be used for access to hotel rooms instead of the special cards used at present.

Andrew Baxter

INTERNATIONAL COMPANIES AND FINANCE

Reduced loan losses help CIBC advance by 40%

By David Owen in Toronto

CANADIAN Imperial Bank of Commerce (CIBC), the country's second largest chartered bank, yesterday reported a sharp 40 per cent advance in third quarter profit due to reduced loan losses and an increase in consumer business.

Net earnings totalled C$195m (US$165m) or C$1.04 a share, compared with C$139m or 78 cents in the corresponding year-earlier period.

For the nine months ended July 31, income was a record C$577m or C$3.10 a share, versus C$417m or C$2.38 in 1988.

The bank's quarterly provision for loan losses fell to C$100m, against C$153m in the *1988 third quarter*.

Meanwhile, a further C$15m was added to a general provision established as a safeguard against deterioration in the less developed country (LDC) debt situation.

At the end of the third quarter, the bank's net designated LDC exposure stood at C$770m or 17 per cent of common equity, after deduction of provisions.

During the period some C$264m of LDC loans were sold, including virtually all of the bank's remaining exposure to Venezuela.

Third quarter income from non-interest sources expanded by C$65m or 25 per cent from year-earlier levels, with securities trading and foreign exchange business contributing to the improvement.

Non-interest expenses continued to rise rapidly, however.

At July 31, the bank's total assets stood at C$100bn exactly. This represents an increase of 7 per cent from a year ago.

The figures round off a mixed quarter for Canada's Big Six banks, with four of them reporting earnings increments from year-ago levels and two – Bank of Montreal (BMO) and National Bank – registering earnings declines.

The most significant advances were achieved by CIBC and the Bank of Nova Scotia (BNS), *where third quarter* income was up 40 per cent in each case from a year ago.

In terms of total assets, BNS has now pulled level with BMO to share the distinction of being the country's third largest bank. At July 31, both institutions boasted assets of C$80.3bn.

Prop 103 move over Farmers

By Louise Kehoe in San Francisco

FARMERS INSURANCE, the US insurance group owned by BAT Industries of the UK, has been added to the list of California insurers which mnst defend their claims that they should not ba forced to reduce antomobile insurance premium rates in the state in the wake of Proposition 103.

Reversing an earlier decision, Ms Roxani Gillespie, California Insurance Commissioner, said on Wednesday that Farmers, with State Farm Mutual, Mercury and the Antomobile Club of Southern California, which together provide insurance to about one third of California's 17m motorists, will be required to prove during administrative hearings that the new law's 20 per cent rate cut would deny them a fair profit.

BAT is embroiled in a take-over battle with Sir James Goldsmith's Hoylake consortium which is offering £13.5bn ($21bn) for the group. Hoylake will need to receive approval from US state insurance commissioners for a change in ownership of Farmers which is a potentially protracted process.

The commissioner had earlier ruled that all but 13 of the state's insurers were exempt from the rate cuts. Her decision met, however, with strong opposition from consumer groups who demanded that the state's largest insurers should prove their claims during public hearings.

Insurance indnstry challenges to Proposition 103, which mandates that insurers roll back their rates to 1986 levels and then cut them by a further 20 per cent, led to a State Supreme Court ruling in May which npheld most aspects of the ballot initiative.

The court ruled, however, that insurers should be exempt from the rate cuts if they would be prevented from making a "fair rate of return" on their business. The Insurance Commissioner was charged with implementing that decision.

Seagram unveils 20% increase

By Robert Gibbens in Montreal

SEAGRAM Company, the Canadian spirits and wines group, yesterday unveiled a 20 per cent gain in earnings for the second quarter and the first half of 1989.

The results include dividends and equity in the unremitted earnings of Du Pont, the US chemical group, in which Seagram has a 23.5 per cent interest.

First-half profit was lifted to US$394.8m, or $4.07 a share, up from $328m or $3.45, a year earlier, while in the second quarter the group went ahead to $198.3m or $2.07, against $165.4m or $1.74 last time.

The company said its beverage business continued to show a strong performance worldwide.

Seagram was also helped by the addition of Martell in Europe and Tropicana in the US. In addition Du Pont reported favourable results.

The drinks business alone posted first-half sales of $2.5bn, up 16 per cent from a year earlier, and in the second quarter $1.3bn, 4.6 per cent increase.

Operating income went ahead to $265m in the first half, a rise of 39 per cent, and in the second quarter the group recorded a 44 per cent advance to $139.6m.

Strong gain in premiums boosts QBE

By Chris Sherwell

QBE INSURANCE, Australia's largest international general insurer, yesterday reported a record after-tax operating profit of A$37.7m (US$28.7m), up 27.5 per cent.

The results mean the group, which receives more than half its premium income from abroad, has enjoyed a compound annual growth rate in earnings averaging 28.6 per cent for the past six years.

The increase for the year to June reflected a strong gain in gross premiums to A$551m from A$427m, a reduction in the ratio of claims and other expenses to premium income, and increase in investment income to A$74.4m from A$63m.

If an abnormal gain of A$5.9m is included, the profit figure was A$43.6m, up 47 per cent. The abnormal gain resulted from a change in the calculation of deferred acquisition costs in line with proposed new accounting standards.

Directors recommended a final dividend of 11 cents, bringing the total to 20.25 cents, up almost 49 per cent on the previous year after adjustment for a one-for-five scrip issue.

Of the total premium income of A$551m, 42 per cent came from Australian operations, 33 per cent from international operations and the remaining 25 per cent from reinsurance, which last year contributed only eight per cent.

Most of the group's reinsurance is international: in the past year it has acquired Universal Reinsurance Company of Ireland, now called QBE Insurance and Reinsurance (Europe), and Imperial Chemicals Insurance, now QBE Reinsurance (London).

The group also owns the Sequoia Insurance group in California, acquired in 1986, and yesterday QBE said its international premium income was affected by a reduction in its exposure to private motor business following prospective changes to the law.

Sony to increase dividend by 12%

By Our Financial Staff

SONY, THE leading Japanese consumer electronics group, is to boost its dividend by 12 per cent because of what it described yesterday as a better than expected showing both by its electronics hardware and recording divisions.

The payment for the current year to March will be Y50 a share compared with a previous Y44.60. The Y50 level matches the par value of its shares. A 100 per cent payout rate is a rarity in Japan – yesterday Nintendo, the video games producer, was the only other significant example cited.

Last month Sony forecast parent company pre-tax profit for the year of Y95bn ($649m), a rise of 23 per cent. Net earnings from its consolidated worldwide activities are projected to increase 24 per cent to Y90bn – this includes a contribution from CBS Records of the US, bought in late 1987.

The Y25 interim distribution is due in December.

Western Mining up despite poor gold result

By Chris Sherwell in Sydney

STRONG EARNINGS from aluminium and nickel have helped Western Mining Corporation of Australia overcome disappointments in its gold operations to produce a sharp increase in earnings to a record level for the year to June.

Operating profit after tax rose 77 per cent to A$322.8m (US$245.5m) on sales which increased 39 per cent to A$1.2bn. On an equity-accounted basis, profits reached A$455.6m, up 67 per cent from the previous year's A$273.5m.

With group and equity earnings per share up to 58.5 cents from 36.4 cents, directors declared a final dividend of 17 cents, unfranked for local tax purposes. With the partly franked interim dividend, it makes a total of 30 cents for the year.

The main reasons for the profit increase were a particularly strong performance from the 44 per cent-owned Alcoa Australia, and a 71 per cent higher nickel price which offset a decline in nickel production caused principally by mining difficulties.

In gold, where Western Mining consolidated its position as the country's largest producer with increased equity production of 814,000 ounces, the group *suffered a substantial* fall in the realised bullion price from A$629 to A$494.

The group was also forced to make provisions totalling A$183m for writedowns on two US gold mines, Carson Hill and Hog Ranch. Thanks to gains made on closing out hedging contracts relating to excess future production, the resulting extraordinary loss was cut to A$110.6m.

Overall performance of the group was also affected by the higher exchange rate for the Australian dollar against the US dollar, with the Australian currency averaging 81.2 US cents through the year as against 73 US cents the previous year.

The group said its balance sheet remained very strong, with borrowings only marginally exceeding cash and liquid investments. Most of the borrowings, it added, relate to its Olympic Dam mining venture and are non-recourse to the group.

The value of the holding in Alcoa Australia has also been revised upwards to A$707m from A$478m to match the book value in the accounts of Alcoa of the US. Acknowledging that recent results were partly due to exceptionally favourable conditions, it added that the shareholding was "a very valuable asset."

The group said it expected increased production of nickel, through the acquisition of the Leinster operation, and of gold through new or expanded mills at four mines. Sir Arvi Parbo, the chairman, was quoted as saying prospects in the current year were looking good so far.

Amcor rights to raise A$230m

AMCOR, the Australian forest products and packaging group, is to make a one-for-eight rights issue at A$4.10 a share to raise A$230m (US$175m), Renter reports from Melbourne.

The move would provide funds for expansion, the company said, adding it expected at least to maintain current dividend payouts. Amcor shares shed 7 cents to A$4.75 ahead of the announcement.

The issue, jointly underwritten by J.B. Were and Son and McIntosh Corporate, is the first rights offering by Amcor since 1982.

To the Bondholders and/or Couponholders of:

DFC FINANCE (OVERSEAS) LIMITED
Japanese Yen 15,000,000,000
4½ per cent.
Guaranteed Bonds Due 1992

Notice of change of address of

The Fuji Bank, Limited London Branch

Notice is hereby given that The Fuji Bank, Limited London Branch as Paying Agent of the above-mentioned Bonds changed its specified office with effect from 29th August, 1989 to the following address:

River Plate House
7-11 Finsbury Circus
London EC2M 7DH

By:
The Fuji Bank, Limited
as Principal Paying Agent

Dated: 8th September, 1989

DECLARATION OF DIVIDENDS

UNITED KINGDOM CURRENCY EQUIVALENTS

In accordance with the standard conditions relating to the payment of the dividends declared by the undermentioned companies on 8 August 1989, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of R4.3465 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 5 September 1989 as advised by the companies' South African bankers.

The United Kingdom currency equivalents of the dividends are therefore as follows:-

Name of Company (All companies are incorporated in the Republic of South Africa)	Dividend Number	Amount per share
Gold Fields Property Company Limited (Registration No 01/01078/06)	133	4.141263p
New Wits Limited (Registration No 05/04822/06)	77	6.902105p
Vogelstruisbult Metal Holdings Limited (Registration No 05/04348/06)	85	5.751754p

By order of the Boards
per pro CONSOLIDATED GOLD FIELDS PLC
London Secretaries
Mrs G M A Gledhill, Secretary

London Office:
31 Charles II Street
St James's Square
LONDON SW1Y 4AG
6 September 1989

United Kingdom Registrars
Barclays Registrars Limited
6 Greencoat Place
LONDON SW1P 1PL

MEMBERS OF THE GOLD FIELDS GROUP

INTERNATIONAL CAPITAL MARKETS

Australian SE in venture to broadcast share data

By Chris Sherwell in Sydney

THE AUSTRALIAN Stock Exchange, embarrassed by costly and repetitive breakdowns in its Jecnet computerised price information system, has linked up with the Australian Broadcasting Corporation (ABC) and Citibank to provide market data in a new and more dependable way.

The venture, an upgraded version of the arrangement which Citibank has with London's International Stock Exchange and the BBC, is scheduled to go live next May. It will replace Jecnet and is expected to supply services across Australia.

Information from the Stock Exchange will be collected and encoded by Citibank's Infocast system and fed to the ABC. The state-owned television network will then instantly transmit it via satellite, employing one of the unused lines which make up a television picture.

Recipients will need decoders to view it.

Yesterday the three partners refused to divulge detailed commercial terms of the arrangement, although Mr David Hill, managing director of the ABC, said it was worth A$8m-$10m (US$6m-$7.6m) over five years to his organisation, which would receive less than one third of the revenues.

On tariffs, the partners said existing Jecnet users would receive a better and more reliable service for about the same amounts they are currently charged. The aim, they said, was to compete successfully against information vendors such as Reuters and Telerate.

Citibank's role springs from its decision to become directly involved in the technology of information supply. Last November it acquired Acme Products, the company with the know-how of decoder technology which had an agreement with the International Stock Exchange and the BBC to deliver market data to UK homes. In so doing it created Infocast.

For the ABC, this is the first use of the Datacast technology it recently purchased from the BBC, which developed and installed it in the UK in 1985-86. It is also the ABC's first outside business venture and should bring in much-needed revenues at a time when government budget constraints have created financial pressures.

All vendors of stock exchange information will continue to receive the same raw feed of market data when the new system is operating. The new system will also remain dependent on Telecom's telephone links to transmit the data to the ABC from the exchange.

Fillip for Vienna stock exchange

By Judy Dempsey in Vienna

VIENNA'S small stock exchange, which runs the risk of a shortage of paper, yesterday received welcome news that a large state-owned utility is to be listed next month.

Energie-Versorgung Niederoesterreich, (EVN), which is owned by the Province of Lower Austria, will sell to the public 25 per cent of its capital which amounts to Sch950m.

A total 237,500 shares with a value of Sch1,000 each, will be listed on the exchange in late November. The issue price is expected to be announced on November 16.

Under the current privatisation law, the Republic of Austria will retain a 51 per cent stake in any holdings sold to the public.

Ibis ready to open out after talks with Reuters

By Haig Simonian in Frankfurt

THE MODERNISATION of West German equity trading, which leaped forward following news of the development of Ibis, a computerised share price information system, is set to accelerate after discussions between the banks behind Ibis and Reuters.

A contract likely to be signed between the Ibis user group and Reuters within the next six weeks could pave the way to a new German equity 'trading network' beyond national borders as part of the Reuters system.

In principle, Ibis is to provide only information on share prices during the gap between trading hours at the Deutsche Terminbörse, Germany's new financial futures and options exchange opening next January, and the brief two-hour floor trading on the country's eight bourses.

However, letting Reuters carry information not only on bid and offer prices, but also on the size and price of last trades, implies an inexorable step towards developing Ibis into a full-scale trading system, which could in time replace the bourses.

Computerised trading has been privately favoured by many banks, but resisted vehemently by bourses and small stockbrokers.

Contrary to original expectations, it also appears likely that Ibis, will not be switched off during official bourse trading hours.

Intermex reshaped to reduce exposure

By David Lascelles, Banking Editor

INTERMEX, the London-based consortium banking group specialising in Latin American lending, has been restructured by its seven owner banks to reduce its exposure.

The owners have taken on $400m of Mexican loans booked in its Nassau affiliate and have closed the unit down. The affiliate's £34m of equity and provisions have been transferred to the London bank to boost its capital.

The London bank is now left with about $400m of its own loans to Mexico against which its capital and provisions amount to 32.4 per cent. These changes were intended to achieve a permanent solution to the problems of Intermex whose loans far exceeded its ability to make full provisions in line with Bank of England requirements. As a temporary solution last year, the owners made a special $100m deposit.

Mr Gerard Legrain, the bank's managing director, said the changes made Intermex "smaller but sounder." He said it would stand on its own two feet and develop new lines of business, particularly in the fee-earning advisory area.

Even so, he said it was likely that Intermex would extend new money - probably $100m - to Mexico under the refinancing package recently agreed in the US, though this would have to be decided by the owners. If Intermex goes ahead, it will be only the second bank after Citicorp to say it will commit new money.

The bank's owners and their shareholdings are Banco Nacional de México (25 per cent), Bank of America (20 per cent), Nacional Financiera (13 per cent), Banco Nacional de Comercio Exterior (13 per cent), Union Bank of Switzerland (12 per cent), Deutsche Bank (12 per cent), and Dai-Ichi Kangyo Bank (five per cent).

Portuguese foreign fund nears launch

By Stephen Fidler, Euromarkets Correspondent

THE FIRST Portuguese equity fund for foreign investors to be denominated in escudos and listed on the Lisbon exchange is being launched later this month through Barings Securities.

The Esc8bn Capital Portugal Fund has been granted exemption by the Bank of Portugal to allow international investors to subscribe, and because it is domestically-based, the fund will not be restricted by the 10 per cent limit on overseas ownership of privatisation issues.

There will be no capital gains tax on the fund, although dividends received will be subject to the standard 20 per cent rate of tax, while foreign investors will also be liable to a 25 per cent withholding tax on dividends paid by the fund.

The fund will aim to concentrate on capital gains and is thus likely to pay a relatively small dividend. It will be managed by Gestifundo, a management company founded in 1986 which is 51 per cent owned by Barclays Bank. The fund will be free to invest in other escudo-denominated instruments.

Two previous Portuguese funds available to foreign investors are dollar denominated and not listed locally.

The offer price of Esc10,000 a unit includes an Esc500 upfront fee and a management fee of 1.65 per cent a year to be paid from September 1990. The fund is being marketed to investment managers and individuals. Its initial expiry date will be September 1996.

Stewart Ivory to place £60m of loan stock

By Stephen Fidler

STEWART IVORY, the Edinburgh-based fund manager, has announced the placing of £60m of loan stock, index linked to UK equity performance, in the Scottish American Investment Company, which it manages.

The stock, with a final maturity in 2004, is meant to provide an investment return matching the performance of tha FT-Actuaries All-Share index in terms of both income and capital. It is the third such equity-linked issue to be launched in the last two years.

Net proceeds of £58.2m will initially be invested in UK equities and convertibles with an emphasis on the shares of smaller companies. The options market may also be used, but tha aim is not to expose the company to undue risk.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 7

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 7 92	150	†95½	96	+0⅛	+0⅛	8.89
B.F.C.E. 9¾ 95	150	102	102½	0	+0¼	8.75
Brit. Tel. Fin. 9⅝ 98	250	102⅝	103⅛	+0¼	+0⅜	8.89
Canada 9 96	1000	102¾	102⅞	+0⅛	+0⅞	8.46
Canadian Pac 10¼ 93	100	†102⅛	102½	0	0	9.89
C.C.C.E 9¼ 95	300	101½	102¼	+0⅛	+0⅛	8.81
C.N.C.A 9¾ 93	150	†100¾	101⅜	0	0	6.89
Credit National 8¾ 93	200	†98¼	98⅝	0	+0⅛	8.77
Credit National 7⅞ 92	100	†96¼	96¾	+0⅛	+0¼	8.89
Credit National 9½ 92	100	†100⅞	101⅜	0	+0⅛	9.06
Dai-Ichi Kan 9⅝ 92	150	101⅜	101⅞	+0⅛	+0¼	8.98
Denmark 7¼ 92	500	95¼	96⅛	0	+0⅛	9.01
E.E.C. 7 91	100	96¼	96¾	+0⅛	+0¼	8.76
E.E.C. 7¼ 93	250	†95¼	95¾	+0¼	+0⅜	8.73
E.E.C. 10 93	140	†103¼	103½	+0⅛	−0¼	8.86
Eurofima 10¼ 93	100	†103¾	104⅛	+0⅛	0	8.77
Elec. De France 9 98	200	100⅞	101⅜	+0¼	+0¼	8.79
Elec. De France 9½ 99	200	†103⅜	103⅞	0	+0⅛	8.88
Finland 9 96	250	100⅞	101⅜	0	0	8.81
Finn. Exp. Cd. 8½ 92	200	98⅞	99⅛	0	+0⅛	8.97
Finn. Exp. Cd. 9⅛ 95	200	102	102½	0	+0⅛	8.87
Finn. Exp. Cred. 10⅛ 91	100	101⅜	102⅛	+0⅛	0	9.33
Ford Motor Credit 8 91	250	†98⅛	98⅝	+0⅛	0	9.32
Gen. Elec. Cap. Corp. 9 93	500	†100⅞	101	+0⅛	+0⅛	8.76
Gen. Elec. Cap. Crp. 10 1/2 91	300	101⅞	102⅜	−0⅛	0	8.96
G.M.A.C. 9 96	300	†98¾	99¼	+0⅛	+0⅛	9.19
Gen. Mtrs. Corp. 9⅜ 92	200	100⅛	100⅝	−0⅛	0	8.90
IBM Credit Corp. 8¾ 91	250	99⅞	100⅛	+0⅛	+0⅛	8.78
IBM Credit Corp. 9 92	250	101	101½	+0⅛	−0⅛	8.47
IBM Credit Corp. 9½ 92	250	†101⅛	101⅝	−0⅛	0	8.81
IBM Credit Corp. 10 92	200	102⅝	103	0	+0⅛	8.76
Italy 9½ 95	1000	102⅞	103⅜	+0⅛	−0⅛	8.81
Italy 9⅝ 99	1000	104¼	104½	0	0	8.91
Itoh C. W/W 4⅝ 94	1000	98¼	99¼	−0⅛	−0⅛	4.95
Japan Dev. Bank 10 96	200	105¼	105⅝	0	+0⅛	8.88
L.T.C.B. of Japan 9¼ 92	200	100½	101	+0⅛	+0⅛	8.95
Metropolis Tokyo 9½ 93	200	101⅝	102⅛	+0⅛	+0⅛	8.79
Nippon Tel.&Tel. 9⅝ 98	250	102⅞	103⅛	−0⅛	+0⅛	8.87
Norway 8¾ 93	500	100	100½	+0⅛	+0⅛	8.63
Portugal 8⅛ 91	300	†98	98½	0	+0⅛	9.46
Prudential Crp. 8⅞ 94	125	99⅝	100⅛	0	+0⅛	8.77
Sumitomo Bank 9⅛ 92	150	†101½	102	0	+0⅛	8.94
Sumitomo Corp. W/W 4 93	1500	104⅛	105⅛	−0⅛	−0⅜	2.70
Sweden 7 91	250	96⅛	96⅝	0	+0⅛	8.90
Sweden 8¾ 96	200	100	100⅛	+0⅛	+0⅛	8.68
Sweden 8½ 92	200	†98⅝	99⅛	+0⅛	+0⅛	8.94
Toyota 9½ 91	200	101	101⅜	0	+0⅛	8.89
Toyota Mtr. Corp. W/W 4 93	1500	101¼	102¼	−0⅛	−0⅛	3.49
Victorian Rep 11⅛ 92	150	105⅜	105⅞	+0⅛	−0⅛	9.14
World Bank 7 92	300	†96	96½	0	+0⅛	8.77
World Bank 9 97	300	101⅛	101⅝	+0⅛	+0⅛	8.75
World Bank 9 93	300	100⅞	101⅛	+0⅛	+0⅛	8.67
World Bank 9¼ 98	300	102⅛	102⅝	+0⅛	+0⅛	8.81
World Bank 9⅝ 99	500	104⅞	105⅛	+0⅛	+0⅛	8.81
World Bank 9¾ 96	300	†104⅛	104⅝	0	0	8.86

Average price change... On day +0 on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	95½	96¼	+0⅛	+0⅛	6.95
Austria 6¾ 99	750	†97¼	98¼	−0⅛	−0⅛	7.07
Bk. Frgn. Econ. USSR 7 96	750	96⅝	97⅜	0	0	7.58
Bank of Tokyo 5¼ 93	100	†95⅝	95⅞	−0⅛	−0¼	7.20
Commerzbank o/s. 5⅛ 93	300	†95	95½	+0¼	−0¼	7.01
Credit Foncier 6¼ 99	500	97⅛	97⅞	−0⅛	−0⅛	8.09
E.I.B. 6¼ 99	600	94⅛	94⅝	0	−0¼	7.08
E.I.B. 6½ 99	300	†95½	96½	0	−0½	7.08
E.I.B. 6⅛ 96	600	98	98¾	0	−0⅜	6.93
E.I.B. 6⅞ 95	300	99½	99⅞	0	−0⅛	6.97
Euro.Coal& Steel 5⅞ 97	175	93⅛	94⅛	+0⅛	−0¼	6.97
Eurofima 6¼ 96	100	95¾	96½	−0⅛	−0⅝	6.98
Elec De France 5¾ 97	300	92½	93¼	−0½	−1⅜	7.01
Hydro-Quebec 6¾ 99	300	†97⅞	98⅛	−0⅛	−0½	7.04
Japan Dev. Bk. 5¾ 95	300	92⅞	93⅜	0	−0⅜	6.85
Japan Finance 5¾ 97	100	92⅝	93⅛	−0¾	−0⅛	7.00
I.A.D.B. 7⅛ 99	300	100⅛	101	−0⅛	−0⅜	7.15
Ireland 6⅛ 97	300	†95⅝	95⅞	−0⅜	−0⅛	7.26
Ireland 7¼ 99	500	99⅜	99⅞	−0⅛	−1	7.30
Malaysia 6¼ 94	150	96¼	97⅜	0	−1⅛	7.06
Nat. West BK. PLC 6 98	300	92½	92⅞	0	−1½	7.19
N.H.L. Finance 6¼ 95	200	†96	96½	0	0	7.01
Nippon Telg. & Tel. 6 95	400	95⅛	95⅞	+0⅛	−2	6.39
Oesters. Kontbk. 5 93	300	93⅞	94⅜	−0⅛	0	6.94
Portugal 5⅜ 92	150	96⅜	97¼	0	−0½	7.02
Portugal 6⅜ 95	150	98⅞	99¼	−0¼	−0⅜	6.78
Privatbanken 5¼ 93	150	93⅞	94⅝	+0¼	−0⅛	7.16
Royal Insurance 5½ 92	300	†95⅛	96¼	+0⅛	−0¼	7.23
Turkey 6½ 95	500	94¼	94⅞	+0½	−0¾	7.72
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.06
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.04
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.42
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.07

Average price change... [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.28
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.17
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.64
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.61
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.13
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.51
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.78
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.28
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.57
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.77
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.97
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.19
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00

Average price change... [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	100⅞	101⅛	0	0	5.36
Canada 5⅜ 93	80	100¾	101	0	−0⅛	5.36
Eurofima 5 1995	20	97¼	98⅛	−0⅜	−0⅞	5.42
E.I.B. 4⅞ 93	30	98⅛	98⅛	0	−0½	5.43
Ireland 5¼ 93	30	†98⅝	99⅜	−0⅛	−0½	5.46
Norway 5⅛ 95	50	98¼	99	0	−0⅜	5.36
Sweden 4⅝ 93	50	97¼	97½	−0⅛	−0⅛	5.42
World Bank 5⅛ 98	10	†98	98½	+0⅛	−0⅞	5.38
World Bank 7 94	20	106	106½	−0⅛	−0⅞	5.43

Average price change... On day 0 on week −0½

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 11⅞ 95 £	100	97⅞	98⅜	+0⅛	−0⅜	12.07
Aegon 7¾ 92 FL	100	101⅛	101⅛	0	0	7.79
Alg. Bk. Ned. 5⅞ 93 FL	200	95⅜	95⅞	0	0	7.18
Austria 7½ 94 ECU	100	95⅛	96⅛	0	0	8.61
Bk. Nova Scot. 14⅞ 90 AS	75	†96¼	97¼	0	0	17.40
Barclays Aus. 13½ 91 AS	100	95¾	96¼	−0¼	−0¼	15.83
Belgium 8¾ 94 Ecu	150	97⅝	98⅛	0	+0⅛	8.69
BP Capital 9¾ 93 £	100	93⅞	94⅜	+0⅜	−0⅝	11.80
British Airways 10 98 £	100	91½	92	0	−1¼	11.55
Brit. Telecom 9½ 93 £	150	93⅛	94⅜	+0¼	−1⅛	11.63
Comm. Bk. Aust. 12⅛ 93AS	100	†94⅛	94⅝	−0⅜	−0⅜	14.63
Comm. Bk. Aus. 13⅞ 94N.ZS	60	98¼	98⅝	0	−0¼	14.18
Credit Foncier 9 96 Ecu	100	101⅜	101⅜	0	−0⅛	8.69
CrLocalFrance 9¼ 92Ecu	100	101⅛	102⅛	0	+0⅛	8.43
Deut. Bk. Aus. 13⅛ 93 AS	125	98	98⅜	−0⅛	−0½	13.94
Deutsche Bk. Fin. 15 94 AS	100	102¼	102⅝	−0⅛	−0½	14.16
E.I.B. 7 96 LFr	100	†97	98	0	0	7.49
E.I.B. 9 99 Ecu	150	101¼	101⅜	0	−0¼	8.75
Eurofima 7⅝ 94 Ecu	100	96⅜	97¼	0	+0⅜	8.45
Export Dv. Crp. 8¾ 92Ecu	100	100⅛	101	0	+0⅛	8.39
Fed. Bus. Dv. Bk. 9 94 Ecu	100	100½	101	0	+0¼	8.78
Fed. Bus. Dv. Bk. 9⅜ 92 CS	75	†97⅞	98⅛	0	−0¼	10.53
Fed. Bus. Dv. Bk. 10½ 93CS	50	†99⅞	100⅛	0	−0½	10.43
Ferr. Stato 7¾ 93 Ecu	100	96⅝	97⅛	0	0	8.74
Ford Cr. Can. 10¾ 95 CS	100	†100	100½	0	0	10.61
Ford Cred. Can. 10⅞ 96CS	125	101⅛	102⅛	0	0	10.43
Ford Cred. Fund. 10¼ 93£	60	96¾	96¾	0	−1	11.83
G.M.A.C. Canada 11 3/4 94CS	100	103⅛	104⅛	+0⅛	−0¼	10.61
Heineken 7⅝ 94 FL	150	102⅛	103¼	0	−0⅜	7.54
Hydro-Quebec 11 99 CS	400	103⅛	103¼	+0⅛	+0⅜	10.36
I.A.D.B. 7¾ 99 FL	200	99	99½	−0⅜	−0⅛	7.35
Lloyds Bank 10⅜ 98 £	150	95	93⅛	0	−1⅛	11.53
Lloyds Bank 11⅜ 98 £	100	96	96½	+0⅛	−1⅜	12.04
Montreal Tst. 10⅜ 93 CS	100	†99¼	100⅜	0	0	10.72
Nat. Aus. Bk. 14¼ 94AS	100	100¼	100⅜	+0⅜	0	14.51
New Zealand 9½ 95 £	100	92⅛	93⅛	+0⅛	−0¼	11.98
O.E.K.B. 10¼ 99 CS	150	100⅛	100⅛	+0⅛	+0⅛	10.18
Privatbanken 7½ 94 LFr	500	†98	99	0	+2¼	7.89
Royal Bk. Scot. 10⅝ 98 £	125	94⅝	95⅛	−0½	−1½	11.62
Saskatchewan 9⅞ 91 CS	150	†97⅞	98⅜	0	−0¼	11.00
Saskatchewan 10¼ 93 CS	200	99⅛	99⅝	0	+0⅛	10.42
State Bk. NSW. 13⅞ 93AS	100	96¾	96¾	−0¼	−0⅛	14.99
Sweden 7½ 93 Ecu	250	96¼	96¾	0	+0¼	8.51
Sweden 15 94 AS	100	102⅛	102⅝	−0⅛	−1⅛	14.18
Toyota Mtr. Cr. 11⅛ 92CS	150	101¾	102	0	0	10.60
World Bank 13¾ 92 AS	100	98⅝	99⅛	−0¼	−0¼	13.83
World Bank 14¼ 94 AS	75	100¼	100¼	0	−0¼	14.09
Zentrspk. 13¼ 93 AS	75	†96½	97	−0⅛	−0⅜	14.35

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. B/d 94 £	.08	100.02	100.07	24/10	14.08
Bank of Greece 99 US	0¼	99.54	99.64	8/09	10.62
Belgium 91 US	0	100.13	100.23	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.95	100.01	30/11	14.06
Credit Foncier 98 US	.063	100.05	100.15	20/10	10.16
Dresdner Finance 99 DM	.031	99.86	99.97	30/10	6.97
EEC 3 92 DM	0	100.27	100.37	22/02	6⅞
Halifax BS 94 £	.1	100.14	100.19	9/11	13.97
Invt. In Industry 94 £	0¼	100.08	100.18	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.21	100.26	13/10	14.06
Midland Bank 01 £	.1	98.52	98.85	7/11	13.91
Milk Mkt. Brd. 5 95 £	0⅛	99.98	100.03	29/09	14.31
New Zealand 5 97 £	.07	100.01	100.11	18/11	13.19
State Bk. Nsw. 98 US	.188	100.15	100.25	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	100.22	100.27	13/10	14.06
Woolwich 5 95 £	0⅛	100.09	100.14	21/11	14.06

Average price change... On day 0.00 on week 0.00

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	125½	126½	−0⅜	3.13
Amer. Brands 7¾ 02 US	9/87	56.7	134⅝	135⅝	−3½	−1.31
CBS. Inc. 5 02 US	†4/87	200.	108	109	−0⅜	2.12
Primerica 5½ 02 US	4/87	66.75	72	75	−0¼	80.91
Eng. China Clay 6½ 03 £	9/88	4.8	103¾	104¾	−0¼	6.70
Fujitsu 3 99 US	5/84	1106.	212⅛	213⅛	0	−0.70
Ladbroke 5¼ 04 £	6/89	7.1	106¼	107¼	0	120.97
Land Secs. 6¼ 02 £	6/87	6.72	97¼	98¼	−0¼	8.98
Minolta Camera 2¼ 94 DM	3/86	1004.	111¼	113¼	−0¼	6.43
MCA Inc 5½ 02 US	†9/87	69.62	102½	103½	−0¼	14.74
Mitsubishi Bk. 3½ 04 US	5/89	3264.	91¾	92¾	−0¼	4.09
Next Plc 5¼ 03 £	11/87	4.3	101⅛	102⅛	−0¼	217.44
[illegible] 2¼ 03 US	4/88	804.	114	115	−0½	−4.11
Omnicom Inc. 6 1/2% 04 US	10/89	28.	100¾	101¾	−0¼	21.26
[illegible] 2¼ 02 US	4/87	1310.	268	269	+1	1.41
Ranks Hovis 4¾ 03 £	†1/88	3.5	127¼	128¼	+0½	−2.42
Redland 7¼ 02 £	1/87	5.4	106¼	107¼	+0½	2.14
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	93¼	94½	−0¼	32.44
Silicon Graphics 8 04 US	6/89	23.18	102¼	103¼	+0½	13.28
Sumitomo Bank 3¼ 04 US	2/89	4296.	83¾	85¾	−1¼	12.94
Texas Ins. 2¾ 02 US	9/87	82.87	77	78	+0¼	62.60
Utd. N'papers 8 04 £	10/89	8.77	114	115	−0¼	103.16
W.R. Grace 6¼ 02 US	9/87	42.12	101¼	102¼	+0¼	15.01

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Warm reception for $150m issue from J Sainsbury

By Andrew Freeman

A $150m unswapped seven-year deal for J. Sainsbury, the UK supermarket group, met strong demand on the Eurobond market yesterday as investors chased an attractive yield backed by an apparent development in the covenants protecting hond-holders against event risk.

J.P. Morgan, the lead manager, was quoting the bonds inside fees to co-managers at 99.80 bid, and said the paper offered a yield of around 80 basis points over the equivalent US Treasuries, rich enough to attract steady demand from UK and European investors.

The docnmentation accompanying the issue included what J.P. Morgan claimed was an improvement in the language of clauses protecting investors against event risk.

Five events were specified, any one of which would result in automatic protection for bond-holders in the form of a pnt option at par. The option will be triggered if the company's credit rating falls from its present AA level to BB+ or below as the result of one of the events specified.

The events are: a takeover of Sainsbury by a predator; takeover by Sainsbury of another company; the payment of a large dividend to equity holders; a repurchase programme of the company's shares; or the distribution of assets representing more than half of the company's net worth.

The lead manager reported purchases from institutional clients which had been absent from the corporate bond market for some time because of the risks associated with highly-leveraged hids.

Other members of the syndicate were more sceptical, admitting the event risk language was an improvement, hut saying they made sales because the honds were well priced and that investors were relatively unconcerned. They praised J.P. Morgan for the pricing and for the decision to charge only a ⅛ *praecipuum*, the portion of fees taken by lesd and co-lead managers as reward for their extra work in launching a deal.

Chase Investment Bank tapped the sterling market with a £125m 10-year deal for the Alliance & Leicester Building Society. The bonds carried an 11½ per cent coupon and were priced to yield 100 basis points over the equivalent government benchmark.

The lead manager was qnoting the paper at less 1.93 hid, inside full underwriting fees of 2 per cent. New issne traders reported limited demand for the 10-year msturity, hnt Chase said there was good switching activity and that sales had been satisfactory.

There was mnch debate over whether the issue was swapped. Both the lead manager and an Alliance & Leicester official refused to elaborate, but there was speculation that the proceeds were swapped into floating-rate sterling.

At yesterday's rate, this would have achieved funds at around 20 basis points over Libor, but by *selling* a *floor* option of around 8 per cent on Libor, the borrower could have received a cash edvance to reduce the overall cost of funds to around its target of just below Libor flat.

Paribas Capital Markets launched a C$75m three-year deal for Kredietbank International Finance with a 10¾ per cent coupon. The bonds were trading at less 1¾ bid, a discount equivalent to full fees. It is understood the proceeds were swapped into floating-rate US dollars to achieve a funding rate of around 25 basis points below Libor.

In Germany yesterday, prices firmed around 15 pfennigs on average after the recent falls, amid professional short covering. Deutsche Bank brought a DM250m 10-year deal for Norsk Hydro, the first time the company has tapped the sector since 1983. The bonds carried a 7¼ per cent coupon.

The lead manager was quoting the bonds outside fees at less 2¾ bid, yielding 7.40 per cent. Tradera reported quite good demand at that level.

In Switzerland, UBS postponed a SFr30m convertible issue for Toyo Sanso after the company's share price in Tokyo rose by almost Y500 over the last week. In the grey market, the deal had been trading at a 1½ point premium to the indicated par issue price.

Swiss Bank Corporation launched a SFr60m convertible deal for Atsugi Nylon Shoji to a good reception. The bonds were trading at 101¼ bid. SBC formed a syndicate entirely among Japanese banks.

The IADB two-tranche issue fell again, with both tranches losing ½ point to 97¾ bid. The Oesterreichische Laenderbank deal gained a point to 103½ bid, with no offers available in the market.

● **Credit Suisse First Boston** began making new issue prices on a service available to all Reuters subscribers yesterday as part of its plans to increase the transparency of the primary market in Eurobonds.

Mr Christopher Carter, head of syndication, said CSFB would deal with any market participant and that real time prices would be available on the screens.

Other houses expressed interest in the idea and said they were investigating a similar service.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
J. Sainsbury◆	150	9⅛	101⅞	1996	1⅞/1¼	J.P. Morgan Secs.
CANADIAN DOLLARS						
Kredietbank Int. Fin.(a)◆	75	10¾	101.45	1992	1⅜/⅞	Paribas Capital Markets
STERLING						
Alliance & Leicester(a)◆	125	11½	101.60	1999	2/1¼	Chase Investment Bank
D-MARKS						
Norsk Hydro(a)◆	250	7¼	101¾	1999	2½/1½	Deutsche Bank
Nippon Piston Ring Co.♦	100	(1⅝)	100	1994	2¼/1½	Deutsche Bank
SWISS FRANCS						
Atsugi Nylon Shoji Co.(b)★★§	60	(¼)	100	1994	1⅜	SBC
Tayca Corp.(c)★★§	50	½	100	1993	1½	Credit Suisse
Teyca Corp.★★♦	50	2¼	100	1993	1½	Credit Suisse
Tomoegumi Iron Works★★◆	15	5⅞	100⅛	1994	1⅜	Banca del Gottardo
General Co.(d)★★§◆	28	⅜	100	1993	n/a	Handelsbank NatWest
Toyo Sanso KK(e)★★§	30	(½)	100	1994	n/a	UBS

★★Private placement. ♦With equity warrants. §Convertible. ◆Final te rms. a) Non-callable. b) Indicated yield to put 4.12%. c) Yield to put 3.594%. d) Coupon cut by ⅛% from indication. Yield to put 3.667%. e) Issue postponed.

London seeks to attract foreign equity options

By Katharine Campbell in Burgenstock

THE LONDON Traded Options Market (LTOM) is offering a low budget second home to foreign equity options products, it was announced yesterday.

The novel "boutique" concept, was outlined during the 10th annual gathering of the Swiss Commodities Futures and Options Association.

The boutique invitation is issued to an overseas exchange to join LTOM on the currently rather empty floor of the London Stock Exchange, listing some of its more internationally traded products. In return LTOM hopes it will be allowed to list its options abroad.

Among the obvious advantages of the idea is the modest cost. The exchange estimates it would spend around £100,000 implementing the idea and does not aim to charge the partner exchanges vast sums.

LTOM made an expensive mistake when it engaged in lengthy but ultimately fruitless talks with the Philadelphia Stock Exchange aimed at garnering for London some of that exchange's coveted foreign currency option business.

At the same time the overseas exchange would retain its identity – as well as the bulk of supervisory, regulatory and systems functions. Participating exchanges would need regulatory approval from the Department of Trade and Industry to operate in London.

London officials envisage a number of alternative membership structures – at the discussion of the overseas exchange – ranging from trading rights confined to home members, to full access for LTOM members.

One exchange that is presumably unlikely to participate is the Parisian Monep following LTOM's failure to divert French equity options to the London market.

But officials are approaching several American exchanges and also the Australian equity options market. The American Stock Exchange failed to establish its XMI index option contract in Amsterdam, largely due to insufficient volumes of US stocks that trade in the European time zone.

An official at one American exchange added the proposal could encounter opposition among some members unwilling to see their risk exposure increased by options trading in another time zone.

Continuing strength of US currency underpins modest gains

By Janet Bush in New York, George Graham in Paris and Norma Cohen in London

THIS WEEK'S dnll trading continued yesterday in the US Treasury bond market where prices were quoted with small gains at mid-session, underpinned by strength in the dollar.

The Treasury's benchmark long hond stood ½ point higher at mid-session for a yield of a 8.09 per cent.

At the New York mid-session, the dollar stood a little below its highs after reports of intervention by several central banks. It stood at Y147.10 and DM1.9870 compared with its session peaks of Y147.35 and DM1.9935.

The tone was fairly positive yesterday as traders were encouraged by Wednesday's modest gains. However, the market is unlikely to break out of its tight trading range until next week when there are several important economic releases including the trade balance and producer prices.

■ THE FRENCH Government sold FFr8.65bn of bonds yesterday at its regular monthly auction, with hids concentrated heavily on the 10-year issue. The Government had announced it wonld sell between FFr8bn and FFr10bn.

Bids were accepted for FFr3.5bn of the 10-year OAT 8.125 per cent 1999, at a cut-off price of 97.85, out of a total of FFr11.2hn hid for. The weighted average yield of the auction was 8.45 per cent, 13 basis points higher than at the last auction a month ago.

A further FFr2.6hn was sold of the 15-year OAT 8.25 per cent 2004, at a cut-off price of 97.25, out of FFr5.35bn bid for. The weighted average yield of 8.58 per cent was 42 hasis points lower than the last tima the bond was auctioned.

■ UK GOVERNMENT bond prices closed nearly ¾ points firmer, bolstered hy relief that the Bundesbank's council voted at its meeting yesterday to keep interest rates unchanged. While most analysts had not expected any West German rate rise, investors held the nagging concern that some move might emerge, thus restraining buying earlier in the week.

However, dealars said that gilts prices closed below the day's highs, with profit taking emerging as sterling/mark cross rates rose towards 3.07 marks.

■ AUSTRALIAN government bond yields closed six to seven basis points firmer after employment data released yesterday suggested that the economy remained robust. August unemployment fell to 5.9 per cent from 6.1 per cent in July while the nation's workforce participation rate rose to 63.4 per cent from 63.2 per cent the month before.

Also, a WestPac/CAI quarterly survey of Industrial Trends released yesterday, showed that manufacturing output had weakened although investment plans and expectations remained strong. The benchmark 12 per cent bonds dne July 1999 closed at a yield of 13.98/96 per cent against Wednesday's close of 12.91/89 per cent. Overnight cash rates rose to 19 per cent after hovering around 18 per cent in recent days.

■ WEST GERMAN government bonds closed 10 to 15 pfennigs firmer in light turnover, with little response following the Bundesbank Council's widely expected decision to maintain rates at current levels at its policy meeting yesterday. The Federal government's free bonds traded around 101.1 late yesterday, up from 100.9 at the close on Wednesday.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	106-07	+11/32	11.04	10.89	10.89
		9.750	1/98	97-01	+9/32	10.28	10.17	10.03
		9.000	10/08	96-27	+5/32	9.36	9.29	9.18
US TREASURY *		9.125	5/99	106-03	+8/32	8.20	8.29	8.00
		8.875	2/19	108-03	+6/32	8.15	8.24	8.07
JAPAN	No 111	4.600	6/98	95.8324	-0.345	5.30	5.10	5.05
	No 2	5.700	3/07	104.9718	-0.584	5.16	5.04	4.96
GERMANY		7.000	2/99	100.9000	-0.050	6.86	6.84	6.64
FRANCE	BTAN	8.000	1/94	97.3688	+0.018	8.73	8.70	8.56
	OAT	8.125	5/99	97.8900	+0.070	8.44	8.39	8.33
CANADA *		10.250	12/98	104.5000	+0.200	8.50	8.56	9.27
NETHERLANDS		7.000	3/99	98.8900	+0.070	7.16	7.17	6.98
AUSTRALIA		12.000	7/99	94.5955	-0.316	12.98	12.92	12.90

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

MCF to issue Euroyen medium-term notes

By Stephen Fidler, Euromarkets Correspondent

MITSUBISHI Corporation Finance (MCF) said yesterday it was establishing a Euro-medium term note (MTN) programme, under which it will be able to issue paper to the equivalent of $600m, making it the first issuer of Euroyen medium-term notes.

The issue of Euroyen MTNs was made possible by the relaxation of Japanese Ministry of Finance regulations in June. This allowed Euroyen issues of less than four years and, in effect, a shelf registration for Euroyen issues.

The company, the UK subsidiary of Mitsubishi Corporation, appointed eight dealers to the programme, arranged by Merrill Lynch, in part after considering the performance of dealers on its $1.2bn commercial paper programme, launched last year. It will be rated AA by Standard & Poor's.

Most proceeds will be swapped into floating-rate dollars, where the company's funding target is 5 basis points below London interbank bid rates. The programme will mean MCF will be less likely to issue Eurobonds, of which it has already launched five. If the conditions were right, a large, potentially liquid issue would be considered.

According to Merrill, some $7.4bn is outstanding in the Euro-MTN market.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday September 7 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Sep 6 Index No.	Tue Sep 5 Index No.	Mon Sep 4 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	1005.80	+0.4	10.71	4.07	11.46	21.20	999.77	1000.47	1004.19	754.97
2 Building Materials (29)	1182.05	+0.3	12.71	4.53	9.82	26.97	1183.04	1182.20	1178.14	939.79
3 Contracting, Construction (37)	1576.03	+0.8	15.33	4.69	8.52	34.30	1563.87	1574.82	1565.46	1524.76
4 Electricals (9)	3019.85	+0.5	8.25	3.93	15.10	54.31	3011.52	3037.73	3052.45	2003.29
5 Electronics (31)	2283.84	+1.7	8.48	5.27	15.27	47.99	2245.94	2288.21	2271.49	1632.61
6 Mechanical Engineering (56)	553.22	+0.5	9.83	4.03	12.46	10.94	550.49	557.98	556.75	399.92
8 Metals and Metal Forming (6)	528.59	+0.4	19.47	5.75	5.66	14.84	526.32	532.11	531.49	462.70
9 Motors (17)	344.43	+0.5	10.42	4.28	11.39	8.59	342.73	349.15	349.99	264.40
10 Other Industrial Materials (23)	1864.16	+0.2	8.29	3.77	14.38	34.02	1863.10	1867.36	1867.15	1247.81
21 CONSUMER GROUP (184)	1408.39	+1.1	7.75	3.05	16.18	22.50	1392.62	1417.55	1417.92	1021.10
22 Brewers and Distillers (22)	1575.42	+1.2	8.44	3.10	14.83	25.65	1556.10	1583.71	1564.95	1064.22
25 Food Manufacturing (20)	1212.57	+1.2	8.43	3.48	14.85	21.87	1197.87	1218.18	1220.42	904.99
26 Food Retailing (14)	2687.22	+1.4	7.55	2.57	17.50	38.37	2650.03	2722.30	2716.47	1857.51
27 Health and Household (14)	2721.34	+0.8	5.43	1.51	21.70	22.32	2700.50	2755.59	2772.11	1796.13
29 Leisure (34)	1904.33	+2.1	6.94	5.07	17.73	32.22	1864.03	1817.77	1816.88	1273.16
31 Packaging & Paper (15)	618.25	+0.8	9.74	4.18	12.89	10.10	605.43	621.16	623.86	490.99
32 Publishing & Printing (19)	3844.84	+1.8	8.31	4.38	15.58	98.37	3804.50	3856.33	3883.87	3282.69
34 Stores (32)	908.19	+0.7	9.49	4.85	13.76	17.64	901.90	919.92	921.71	726.21
35 Textiles (14)	581.79	+0.9	10.27	5.02	11.64	15.40	576.53	581.99	582.76	540.49
40 OTHER GROUPS (93)	1220.98	+1.0	9.57	3.94	12.69	23.23	1208.57	1225.60	1218.93	859.55
41 Agencies (17)	1620.58	+1.1	6.62	2.18	18.66	23.12	1602.65	1630.79	1628.15	1058.17
42 Chemicals (22)	1349.51	+0.6	11.01	4.60	10.71	40.83	1341.77	1360.85	1360.85	1028.25
43 Conglomerates (13)	1763.53	+1.8	9.68	4.63	12.15	28.35	1746.60	1779.76	1781.11	1375.56
45 Transport (13)	2477.78	[illegible]	8.69	3.72	14.93	42.06	2426.48	2457.02	2440.47	1828.82
47 Telephone Networks (2)	1176.53	+2.0	10.41	4.22	12.52	22.38	1153.86	1156.46	1147.01	914.46
48 Miscellaneous (26)	1953.35	+0.9	8.90	3.26	12.69	29.18	1936.63	1983.45	1955.24	1172.85
49 INDUSTRIAL GROUP (485)	1267.46	+1.0	9.04	3.57	13.65	23.07	1255.95	1273.71	1271.10	970.17
51 Oil & Gas (15)	2236.88	+0.9	9.63	4.99	13.76	73.67	2217.98	2234.45	2236.74	1687.32
59 500 SHARE INDEX (500)	1390.25	+0.9	9.12	3.78	13.66	27.20	1377.55	1395.46	1393.10	995.34
61 FINANCIAL GROUP (121)	819.45	+1.1	-	5.04	-	24.28	810.51	821.42	824.32	663.65
62 Banks (9)	833.07	+1.2	20.74	5.99	6.34	34.80	823.52	835.26	841.38	635.79
65 Insurance (Life) (8)	1245.74	+1.2	-	4.84	-	50.47	1230.65	1239.74	1256.48	998.00
66 Insurance (Composite) (7)	652.44	+2.1	-	5.81	-	21.91	637.52	646.22	658.42	553.76
67 Insurance (Brokers) (7)	986.83	+0.2	7.62	6.29	17.53	31.89	984.22	1005.63	1006.42	923.49
68 Merchant Banks (10)	397.09	+0.4	-	3.99	-	7.37	395.60	407.45	408.37	319.59
69 Property (49)	1387.71	+0.4	4.29	2.89	28.31	19.78	1381.65	1398.87	1394.87	1150.76
70 Other Financial (31)	373.43	+0.8	10.70	5.87	12.82	10.48	370.57	373.75	372.31	354.74
71 Investment Trusts (70)	1287.34	+0.6	-	2.60	-	18.62	1279.54	1285.21	1283.09	892.47
81 Mining Finance (2)	753.19	+1.4	7.94	5.41	13.97	15.84	742.92	753.39	742.92	515.25
91 Overseas Traders (8)	1506.83	+5.8	9.24	4.94	12.36	43.67	1451.46	1469.35	1449.62	1146.95
99 ALL-SHARE INDEX (700)	1221.83	+1.0	-	3.91	-	26.23	1209.80	1225.80	1222.69	903.45

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 6	Sep 5	Sep 4	Aug 31	Year ago
FT-SE 100 SHARE INDEX†	2415.9	+25.1	2416.1	2397.7	2398.8	2426.0	2419.2	2407.5	2387.9	1739.8

FIXED INTEREST

PRICE INDICES	Thu Sep 7	Day's change %	Wed Sep 6	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	117.81	+0.15	117.63	-	8.34
2 5-15 years	132.97	+0.24	132.66	-	9.40
3 Over 15 years	144.81	+0.19	143.73	-	10.01
4 Irredeemables	165.92	+0.16	165.66	-	8.83
5 All stocks	130.73	+0.20	130.46	-	9.23
Index-Linked					
6 5 years	140.49	-	140.48	-	2.26
7 Over 5 years	139.24	+0.07	139.14	-	2.66
8 All stocks	139.21	+0.06	139.13	-	2.61
9 Debentures & Loans	113.63	-0.90	114.66	-	6.87
10 Preference	89.26	-0.08	89.33	-	3.92

AVERAGE GROSS REDEMPTION YIELDS		Thu Sep 7	Wed Sep 6	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.70	9.70	10.15
2	15 years	9.29	9.31	9.66
3	25 years	9.21	9.23	9.34
4 Medium Coupons	5 years	10.42	10.41	10.47
5	15 years	9.70	9.73	9.90
6	25 years	9.33	9.35	9.60
7 High Coupons	5 years	10.78	10.82	10.62
8	15 years	9.90	9.92	10.04
9	25 years	9.49	9.50	9.59
10 Irredeemables		9.27	9.28	9.31
Index-Linked				
11 Inflation rate 5%	5yrs	3.80	5.00	3.48
12 Inflation rate 5%	Over 5 yrs	3.50	3.50	3.96
13 Inflation rate 10%	5yrs	2.22	2.21	2.44
14 Inflation rate 10%	Over 5 yrs	3.34	3.34	3.88
15 Debs & Loans	5 years	13.05	13.06	11.41
16	15 years	12.04	11.65	11.25
17	25 years	11.40	11.22	11.16
18 Preference		10.20	10.19	10.07

†Opening index 2397.8; 10 am 2400.5; 11 am 2408.2; Noon 2408.2; 1 pm 2409.7; 2 pm 2412.1; 3 pm 2412.9; 3.30 pm 2416.1; 4 pm 2415.5 (a) 3.28pm (b) 9.01am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	88	8	9
Corporations, Dominion and Foreign Bonds	10	0	33
Industrials	490	257	825
Financial and Properties	254	82	335
Oils	26	25	39
Plantations	1	1	5
Mines	69	29	76
Others	73	83	127
Totals	1,011	485	1,453

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings Aug 21
● Last Dealings Sep 8
● Last Declarations Nov 23
● For settlement Dec 4

For rate indications see end of London Share Service

Calls in Polly Peck, DC Cook, Tusker, MBS, Cowie T, Avesco, Brit Steel, Leeding Lala, Whitegate, Utd Guarantee. Puts Priest B. Ferrari, Berkeley, Hay & Croft.

LONDON TRADED OPTIONS

Option		CALLS Oct	CALLS Jan	CALLS Apr	PUTS Oct	PUTS Jan	PUTS Apr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK COMPANY NEWS

Moss Bros brushes off approach from Amber Day

By John Thornhill

MOSS BROS, the men's outfitter, has brusquely brushed off an informal approach from Amber Day Holdings, a rather brasher clothing retailer.

In a terse and somewhat sniffy statement yesterday, Moss Bros said it had met Mr Philip Green, Amber Day's chairman, on Wednesday and listened to his proposal for combining the companies. But it added that it did not accept the stated commercial benefits and did not intend to pursue the proposal.

Moss Bros's announcement was made at the request of the Stock Exchange, after press speculation about Amber Day's interest in the company and subsequent rises in Moss Bros's share price. Yesterday Moss Bros's shares shed 15p to 260p.

Amber Day quickly responded by saying that it continued to believe that significant commercial advantages would accrue from a merger. "I did not wake up one morning and decide to make a bid for Moss Bros. I have done many weeks of research on this and believe there are advantages to both businesses," Mr Green said.

His proposal concerned merging Moss Bros's interests, which include Cecil Gee and Suit Co, with Amber Day's Review and Woodhouse retail chains.

Mr Green has already held meetings in recent weeks with several of Moss Bros's institutional shareholders representing over 20 per cent of Moss Bros's shares. "They liked my ideas and felt they could be beneficial to both parties," he said.

But Mr Green conceded that any hostile bid would be unlikely to succeed in view of the 52 per cent family holdings in Moss Bros. "I now intend to speak to additional institutions on Moss Bros's share register and then take a view as to what the position is," he said.

Amber Day also announced pre-tax profits of £2.06m (£503,000) for the year to July 29 on turnover of £15.89m (£8.59m). This result was boosted by a £1m contribution from Review Menswear which was acquired in August 1988. A final dividend of 1p is proposed. Earnings rose to 3.52p (0.82p).

Market expectations met as results are buoyed by UK and European contributions

US difficulties hold Reckitt back to 14% rise

By Lisa Wood

RECKITT & COLMAN, the UK multinational, announced pre-tax profits of £98.56m for the half-year to July 1, an increase of 14 per cent on the previous year.

Earnings per share at 41.96p showed a 19.3 per cent increase and the board declared an interim dividend of 10.65p, up by 16 per cent.

Sir Michael Colman, Reckitt's chairman, said strong contributions came from the UK and continental Europe. He said: "The performance in North America was impacted by both competitive activity and product launch costs. The Australian business, continuing to benefit from its recent restructuring, produced excellent results in an uncertain economic climate."

Group sales increased by 8 per cent – from £682.49m to £736.98m – and trading profits rising by 12 per cent from £89.48m to £99.82m. A lower level of net borrowings resulted in interest charges falling from £3.34m to £1.26m.

During the first half the group bought six small businesses, mostly in the personal care segment of the European household and toiletries area, for a total of £23.45m.

Household and toiletries sales increased to £390.73m (£360.97m) and trading profits rose to £58.04m (£51.68m) – some 58 per cent of group trading profits.

In the UK, Harpic lavatory care products sold well, as did Crystalaire, an air-freshener pioneered in the US and now rolled out in eight new markets. Reckitt said Australia and New Zealand produced "outstanding results".

Food, with the major territories being the UK and the US, showed a sales increase of 6 per cent to £280.41m (£216.55m) and a trading profit increase of 9 per cent to £18.86m (£17.34m).

The UK business, including Robinsons soft drinks, had an "excellent year", said Sir Michael. He said that in the US Reckitt was facing vigorous competition in its spice business from McCormick, the market leader, and demands for discounts from supermarkets.

Pharmaceuticals sales increased by 8 per cent to £75.1m (£69.46m) and trading profit improved by 11 per cent to £15.64m (£14.09m).

The group's industrial pigments and fine art and graphics business contributed a trading profit of £7.28m, a 12 per cent increase on 1988.

● COMMENT

Reckitt rarely excites or disappoints and yesterday's pre-tax profits were well in line with market expectations. The US was the lacklustre performer with retailers now showing some of the muscle of their European counterparts. However Reckitt has, at some considerable cost, successfully got Crystalaire onto their shelves. In spices, US competitors are not keen to give up market share and the current war is unlikely to abate during the important autumn months. Performance elsewhere was good with Latin America showing a significant upturn on last year. Analysts, who live in hopes of Reckitt making a sizeable branded acquisition, are looking for pre-tax profits of about £216m for the full year.

Lydia van der Meer

Sir Michael Colman: the Australian business, continuing to benefit from its recent restructuring, produced excellent results in an uncertain economic climate

Pavilion promises non-leisure disposals

By Andrew Bolger

PAVILION Leisure Holdings yesterday promised a rapid programme of property disposals following its £57m reverse takeover in August of Parkdale Holdings, the property and leisure group.

Mr George Martin, the chief executive of Pavilion, said that he intended to sell off non-leisure Parkdale properties worth £35m by December.

That would in itself eliminate the combined group's gearing, which stands at 41 per cent. However, Pavilion also planned to acquire cash-generating leisure businesses, particularly upmarket health and fitness facilities.

Before Mr Martin's arrival in April, Pavilion had acquired the Aston Hippodrome, a snooker and bingo club, and Hawkestone Park in Shropshire, a 300-acre site with two golf courses, a conference centre and hotel.

For the six months to April 30, Pavilion made pre-tax profits of £2,270 on turnover of £904,585. This compared with a loss of £24,885 on turnover of £267,254 for the corresponding period.

Parkdale, which in March acquired Select County Hotels for £15.2m, saw pre-tax profits for the six months to June 30 1989 increase to £4m (£1.99m) on turnover of £24.3m (£17.8m).

The year-end of the enlarged Pavilion group remains October 31.

In its offer document for Parkway in July, Pavilion said it intended to pay a single final 4.5p dividend for the current financial year. It now proposes to accelerate this by payment of an interim dividend of 1p on January 2, subject to legal approval.

The company said it intended to pay an increasing proportion of its earnings in dividends.

● COMMENT

Pavilion, owner of the Pavilion Theatre in Glasgow, was for many years a shell and favourite tipsters' stock. It is now a vehicle through which institutional investors are backing the track record and judgment of Mr Martin, a former chief executive of Pleasurama and LandLeisure. Profits for the combined group are likely to be about £8m for the full year, which, given a share price of 127p – down 3p – puts earnings on 10.9 and gives a prospective multiple of 11.6. Pavilion is very bullish about the prospects in leisure service management with local authorities, but Parkdale's upmarket hotels and country club schemes may be exposed in an economic downturn. Having got the property disposals out the way, Pavilion's future is likely to be determined by the quality of Mr Martin's acquisitions.

Enterprise Oil rises 19% to £51.6m

By Steven Butler

ENTERPRISE OIL, Britain's largest independent oil company, yesterday reported a 19 per cent increase in net profits to £51.6m in the first half of the year, as its oil and gas production rose while oil prices were stronger. Operating profits rose from £17.4m to £35.4m.

Earnings per share, however, rose only marginally, from a restated 14.0p to 14.6p. Enterprise none the less increased its interim dividend payment by 16.7 per cent to 5.25p.

The group saw its oil production rise, on a weighted average basis, from 57,000 barrels a day to 70,000 b/d, despite the failure of UK production to match expectations owing to equipment failures in the North Sea. The increase came from the non-UK oil interests of Texas Eastern, which Enterprise acquired earlier in the year. Norwegian fields acquired contributed 32,000 b/d after April 14.

Realised oil prices rose both because of the higher market prices and the fall of sterling relative to the dollar. Oil price averaged £10.50 a barrel, compared to £9.50 last year.

Net interest received rose from £13.1m to £25.3m, although this increase was offset by lower gains on asset disposals and higher tax charges.

Net cash at the end of June was £428m, following proceeds of a rights issue, although this will be drawn down by the £184m plus interest to be paid for assets from Texas Eastern North Sea (Tensi), the deal for which was announced on Wednesday.

Enterprise will purchase selected assets of the company, while British Gas and Amerada Hess will jointly purchase Tensi from the parent company, Texas Eastern, the US gas transmission company.

As a result of the deal, Enterprise's oil reserves have risen 36 per cent since the start of the year to 917m barrels.

● COMMENT

Enterprise probably got what it paid for in the deal this week with British Gas and Amerada Hess, but much of the glitter and probably a good deal of the upside potential was stolen by the other side. Enterprise is still none the less well positioned to do what it has done so well in recent years: to find oil with a drill bit and to deal for it. At 604p a share, Enterprise is not cheap on a straight valuation of its assets. But with confidence in the Enterprise management high, with the ever-lurking prospect of a hostile takeover bid, and with the possibility that Enterprise may again find a big oil reservoir (it hopes to be drilling in Vietnam by the year-end) the shares could still prove to be strong performers.

Leisure companies boost Cannon St to £10.7m

By Andrew Hill

CANNON STREET Investments, the industrial holding company, increased pre-tax profits by 48 per cent to £10.7m in the six months to June 30.

The profits growth was achieved despite the flotation last November of Betacom, Cannon Street's telecommunications business. Betacom contributed £1.08m in the first half of 1988. In the first half of this year Cannon Street's 29.9 per cent stake in the group made £153,000.

Mr Bill Hislop, Cannon Street's chairman, warned that the second half profits of its double-glazing and consumer electronics subsidiaries might be affected by the changed economic climate, though he said there would be a minimal impact on the overall figures.

Mr Hislop said the main boost for profits had come from the property-based leisure companies – including timeshare developments and country clubs – while housebuilding in Scotland and north-west England had continued to perform well.

However, he said a number of deals in the pipeline might lead to a reduction in the proportion of operating profits coming from the construction sector.

Turnover in the first half rose to £99.5m (£70.3m) and earnings per share increased from an adjusted 8.37p to 9.64p. The interim dividend is 3.3p (2.93p).

● COMMENT

Consumer electronics – videos, TVs and computers – housebuilding and building products are not popular sectors at the moment. Cannon Street combines its involvement in all three with the disadvantages of an innovative strategy – building up and floating off small companies – which arouses the suspicion of the stock market. Yet analysts are still recommending the shares. They argue that the leisure-based businesses, from timeshare to food and catering, are attractive, and possible candidates for flotation. Meanwhile, the housing market in Scotland and the north-west continues to prove its buoyancy against its sinking equivalent in south-east England. Traditionally, Cannon Street makes almost two-thirds of its profits in the second half. Forecasts of about £29m before tax for the full year put the shares – unchanged at 219p yesterday – on a prospective p/e of about 8.5. Still attractive, despite the fact that the resilience of Cannon Street in hard times is unproven.

Bankers Trust ousted as Bowater adviser

By Andrew Hill

THE Takeover Panel has forced Bankers Trust International to step down as one of two advisers to Bowater Industries, in its hostile bid for Norton Opax.

Norton, which is simultaneously bidding for banknote-printer De La Rue, had complained to the Panel about the possibility of a conflict of interest.

A year ago, Bankers Trust's corporate finance department advised Norton about a planned deal and received what the Panel considered to be "material confidential information" about the print group.

The Panel accepted that none of the confidential information had passed to Bowater or its other adviser, Morgan Grenfell, but said it had to enforce the Takeover Code to preserve public confidence in City systems.

The Code was clarified two years ago when a similar complaint was made to the Panel about the corporate finance department at Schroders, which was advising Tozer Kemsley Millbourn in its bid for Molins, 18 months after it had acted for Molins executives. The Panel ruled that Schroders could continue as TKM's adviser to avoid disruption to shareholders.

Bowater is also advised by Morgan Grenfell, so the departure of Bankers Trust is likely to be less unsettling.

The company emphasised the need for speed in its bid for Norton by producing its offer document yesterday, just three days after the announcement of the bid.

● Norton said it had received bid acceptances from De La Rue shareholders amounting to 1.25 per cent of the banknote-printer's equity.

IBC earnings rise by 20% after buy-back

By Philip Coggan

International Business Communications (Holdings), the newsletter and conference group, yesterday announced a 20 per cent increase in interim earnings per share in the six months to June 30.

Pre-tax profits fell by 20.3 per cent to £5.1m (£6.4m) due to the effect of an unusual share buy-back scheme under which IBC agreed to acquire 40 per cent of its equity. The buy-back scheme increased the interest charge to £3.54m (£460,000) but had a positive effect on earnings per share which grew from 6.5p to 7.8p.

Operating profits rose 28 per cent to £8.7m (£6.8m) on turnover 36 per cent higher at £44.5m (£32.7m). The interim dividend is being increased to 1.5p (1.3p).

UK COMPANY NEWS

Mining and UK housing limit Costain to 10% rise

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Costain, the construction, property and mining group, rose by 10 per cent during the first half of 1989 despite a fall in profit from UK housing and from the group's US and Australian coal mining businesses.

Profits in the six months rose from £29.5m to £32.4m, achieved on turnover increased by 20 per cent to £605m (£505m).

Mr Peter Costain, chief executive, said that UK house sales were barely half those of a year ago. The company builds all of its houses in southern England, the region worst affected by the national sales decline.

Costain has cut its housing staff by about a quarter to reduce overheads.

It said that its open-cast coal-mining operations, particularly in Australia, had been hit by exceptionally wet weather which had caused flooding and reduced profits. An improvement was expected in the second half. Prospects for next year looked much brighter following price rises in both Australia and the US.

Group profits in the first half benefited from higher contributions from UK property and building and civil engineering, said Mr Costain.

Building and civil engineering orders at the end of June stood at £789m compared with £621m a year ago. Private sector office and industrial development remained at very high levels while civil engineering orders were expected to rise over the next few years as spending on the infrastructure of roads and water increased.

Mr Costain said UK property had achieved excellent returns in the half while second-half property profits should be boosted by the sale of part of the group's prestige Riverside Quay regeneration project in Melbourne, Australia.

Earnings per share rose from 10.5p to 11.2p and the interim dividend was increased from 4.5p to 4.75p.

● COMMENT

Costain could have done with a hefty increase in profits from its coal-mining operations in a year when UK housing profits have been hit hard. Unfortunately for the company the big improvement in coal earnings will not arise until next year. Nonetheless there should be an improvement from the minerals divisions in the second half and profits for the year should be higher than in 1988. Australian coal export prices have risen by about 10 per cent this summer while US coal prices are up by $3 to $5. The purchase of Pyro Energy in July will add about 4.5m tonnes this year and 6m tonnes next year to Costain's US coal production. UK building orders show no signs of weakening while the collapse of the housing market should reduce pressure on skill shortages and could help margins. The final outcome this year will depend upon how successful Costain is in selling the first part of Riverside Quay. If all goes well it could make about £96m compared with £89.5m in 1988. A prospective p/e of more than 9 reflects Costain's vulnerability to a bid while prospects for a big increase in coal earnings are still 12 months ahead with profits forecast to rise to £115m next year.

£6m loss by Hambro Country

By Philip Coggan

THE DEPRESSED state of the UK housing market was highlighted yesterday by the announcement of a £6.22m interim loss at Hambro Countrywide, the estate agency and life assurance chain. The company is passing its interim dividend – 1.1p was paid previously.

Hambro Countrywide has 496 estate agency outlets operating under names such as Bairstow Eves and Mann & Co. The group warned that "the immediate outlook for the housing market is not encouraging and we do not expect trading volumes to recover significantly for some time."

The half year to end-June saw house sales fall by 57 per cent in volume terms compared with last year's first half with commission income halving to around £21m from £42m. Hambro Countrywide has attempted to cut costs to meet the problem, with staff levels around 25 per cent down from the peak reached in the summer of 1988.

But Mr John May, joint managing director, said that the estate agency business had still lost around £7m. And that figure rises to £10m if the financial services operation costs are assigned to the estate agency, rather than Hambro Guardian, the group's life assurance business. Without those costs Hambro Guardian made profits of £4.32m in the first half.

As part of its strategy of reducing its dependence on the housing market, Hambro Countrywide recently acquired Wright Olipbant, a firm of commercial property surveyors. In May, the group acquired Hambro Legal Protection, a legal expenses insurer, which contributed £500,000 to these profits on a merger accounted basis.

Group turnover fell to £36.6m (£64.8m) and loss per share was 1.49p (3.85p). Hambros Bank owns 50.9 per cent of Hambro Countrywide.

● COMMENT

One has to feel sorry for estate agents – unloved by the public and now unprofitable as well. Hambro Countrywide can do little but cut back as much as it dares (an annualised £20m of costs have so far been saved) and wait for the housing market to recover. If it does, then Hambro Countrywide, with its growing financial services business and its commercial surveying operations, will swing abruptly back to profit. That could make the shares, currently 41p, into an attractive proposition. But with this year's loss likely to hit £10m, and with few signs of an immediate decline in interest rates, investors can afford to wait before buying.

Property checks Portals rise

By John Ridding

PORTALS HOLDINGS, the papermaking and water treatment company which is selling the bulk of its water interests to the Thames Water Authority, yesterday announced interim pre-tax profits ahead 11.5 per cent at £10.04m.

Earnings per share for the six months to June 30, lifted by a lower tax charge, were 10.95p (9.42p). There is an interim dividend of 3.5p (3.2p).

The businesses to be sold, for a maximum total of about £34m, were consolidated into the figures up until April 6. During this period they reported losses of £362,000 compared with losses of £2.58m for last year's full interim period.

Disposal profit will be taken as a £5m extraordinary item, less transaction costs, in the full-year accounts.

All divisions, with the exception of property, were ahead of last year. Profits at the banknote and security paper manufacturing business, the largest division, edged up to £5.58m (£5.26m).

The technology products division, which includes the manufacture of hydraulic fittings and electronic security products, raised profits from £1.05m to £1.78m.

The property division, however, saw a sharp fall in profits from £3.33m to £1.97m. Portals said that this reflected the inclusion last year of a £2m profit from the sale of a site in Overton. But they said that the division's results for the year as a whole are expected to be in line with last year.

In August, the Bank of England sold its 25 per cent stake in the company.

● COMMENT

Much of the improvement in Portals' numbers reflects the elimination of negatives in the soon to be sold water treatment business. This obviously begs the question of where growth comes from now. In the second half, the property division provides much of the answer. The sale of a 1,200 acre site for £3m should realise exceptional profits of over £1m. In addition, the £11m investment in new banknote manufacturing machinery will start to pay returns. As a result, full year pre-tax profits should reach £27.5m, including exceptionals. But the real test for Portals is whether it can invest its disposal proceeds to inject some faster growth for the longer term. Security paper and safety products seem to provide the best bets. For the moment, the shares are unlikely to move very far and will stay on their prospective rating of 11. The sale of the Bank's stake prompted a flurry of activity, but the market has rightly concluded that there is no bidder on the horizon.

Tyzack disposal

Tyzack has disposed of its components business for £13.5m to Eurovein, a company headed by the former chairman of the Sheffield engineering company.

Mr Bill Eastwood, who headed Tyzack while a management team arranged a buy-out last February which valued the company at £42m, expects to list Eurovein within three years.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amber Day Hldgs ....fin	1†	-	nil	1.5	nil
AMEC ....int	7.25	Dec 29	6.25	-	17
Armitage Bros ....fin	2.6	-	2.5	5	4.5
Burmah Oil ....int	8♠	Jan 5	7	-	16
Campari Intl ....int	2	Oct 16	2	-	8.5
Cannon St Inv ....int	3.3†	-	2.93☆	-	7.93☆
Cookson ....int	3	-	2.5	-	7.75
Costain Group ....int	4.75♠	Nov 13	4.5	-	11.75
Enterprise Oil ....int	5.25†	-	4.5	-	11
Friendly Hotels ....int	1.35	-	1.1	-	2.7
Gibbs and Dandy ....int	nil	-	1	-	2.75
Hall(R and H)♥ ....int	1.5†	-	1	-	5
Hambro C'wide ....int	nil	-	1.1	-	2.6
Hartons Group ....int	0.1	-	0.61	-	1.7
Herring Son Daw ....int	2.5	Nov 3	1.5	-	4
Int'l Bus Comms ....int	1.5	Dec 1	1.3	-	4.1
Lambert Howarth ....int	3	Oct 26	2.5	-	8.5
MTM ....int	1.4	-	1.1	-	3.5
P-E Intl ....int	1.7	Oct 27	1.4	-	4.5
Perkins Foods § ....int	1.4†	-	1.8	-	2.5
Polly Peck Int ....int	*5†*	*Jan 12*	*7.2‡*	-	*12.2*
Portals Holdings....int	3.5	-	3.2	-	10
Reckitt & Colman ....int	10.65	-	6.15	-	25.5
Senior Eng ....int	1.08†	Nov 30	1	-	2.6
Sinclair G'smith....fin	3.5	-	2.1	5	3
Singer/F'lander ....int	1	-	0.75	-	2
Tor Investment‡‡ ....fin	21.75	-	14.4	30	21
Tyne Tees TV ....int	e	Oct 30	5	-	17.25
Wilson Bowden ....int	2.2	Nov 7	2	-	6.72

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♠Scrip alternative. ☆Adjusted for the scrip element of September's rights issue. ‡For 16-month period, including second interim of 5p. ‡‡Income shares. ♥ Irish currency.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Abbeycrest, British Dredging, Elys (Wimbledon), McLaughlin & Harvey, Perry, Season.

Finals- Northern Ind Improvement Trust, Second Alliance Trust.

FUTURE DATES

Interims-

Coates Viyella	Sep. 21
Computer People	Sep. 18
Estates & General	Sep. 20
Great Southern	Sep. 21
Legal & General	Sep. 13
Noble Raredon	Sep. 11
Process Systems	Sep. 14
Rockfort	Sep. 25
Silentnight	Sep. 19
Silkolene Lubricants	Sep. 20
Ulster Television	Oct. 5
Wembley	Sep. 14
Wolstenholme Rink	Sep. 27

Finals-

Cornwall Parker	Sep. 25
Delgety	Sep. 18
Gabicci	Sep. 19
SWP	Sep. 21

Wilson Bowden up to £17m midway

THE HOUSING market is the worst for at least a quarter of a century Mr David Wilson, chairman of Wilson Bowden, housebuilders and property developers, said yesterday, writes Andrew Taylor.

The group, nonetheless increased pre-tax profits by 18 per cent from £14.5m to £17.1m during the six months to the end of June. Profits from housing rose by 8 per cent to £14.6m (£13.5m). Group turnover rose from £60.4m to £66.8m.

Wilson Bowden builds houses in south-west England, East Anglia and the Midlands, areas which have been much worse affected by the downturn in housing than the north of England.

Legal completions during the first half fell by a quarter to 533, against 714 during the first half of 1988.

However sales prices, despite discounts offered, were still higher than 12 months earlier. This enabled the group to increase profits despite lower sales.

The average price of a house in June was £100,500, compared with £73,500 in the same month last year, Mr Wilson said.

The company's long land bank, much of it acquired cheaply several years ago, would allow it to continue to make higher profits, despite a drop in sales.

Mr Wilson said that at the end of last month the group was on target to sell just under 1,300 homes this year, compared with 1,592 in 1988.

Commercial property profits during the first six months, however, had doubled to £3.3m helped by sales from the group's 150 acre Meridian business park near Leicester.

Mr Wilson said sales were expected in the second half which would further increase property profits.

Earnings per share rose from 14.2p to 16.6p. The interim dividend was increased from 2p to 2.2p.

● COMMENT

Wilson Bowden is one of the best equipped housebuilders to survive the kind of fall in sales that has taken place during the first eight months of this year. Two thirds of its land bank was acquired at least three years ago when land prices were much cheaper. It owns 5,400 plots (6,800 if options are included) which is enough for five years production at current rates of building. The excursion into commercial property is starting to reap dividends and should help to maintain profits growth as sales of houses slump. Some analysts, however, were disappointed to learn of the departure of Mr Clinton Bourke, the property division's former managing director. Profits growth should should top the £40m mark this year, nuly slightly up on last year's £39m. This puts the group on a prospective pe of more than 5 – but if yon were going to buy a housebuilder in the current market this one would be at the top of your list.

AMEC builds 71% advance to £38.1m

By Andrew Taylor

AMEC, the broadly-based construction and engineering group, has shrugged off the worst effects of the sharp fall in British housebuilding during the the first six months of this year. Pre-tax profits in the first half rose by more than 71 per cent to £38.1m.

Mr Alan Cockshaw, AMEC's chairman, said profits after taking account of contributions from new acquisitions were still 28 per cent ahead of the comparable figure for last year's first half.

The latest results include profits from Matthew Hall, the engineering group acquired last Autumn in a deal worth £130m. It also includes a full contribution from Fairclough Homes, which for the first four months last year was only 50 per cent owned by Amec.

The group said commercial property and housing profits rose by 23 per cent to £13.2m during the first six months. It warned however that housing profits "on a like-for-like basis" would fall over the year as a whole, although this would be more than compensated for by increased profits from property disposals in the second half.

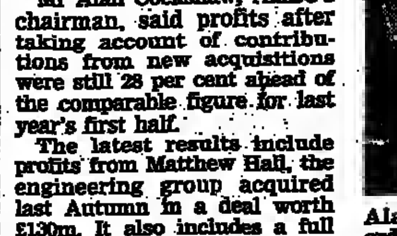
Mr Cockshaw warned that the housing market was unlikely to see much improvement until 1991.

He was optimistic about prospects for building and civil engineering, where orders had risen by 18 per cent since the beginning of the year. Building and civil engineering profits had almost doubled in the first half from £7.1m to £13.9m, he said.

Offshore orders, enjoying a resurgence at the moment, had risen by 30 per cent since June last year. Industrial action in the North Sea however had depressed first half profits.

The biggest impact of the Matthew Hall acquisition had been felt in AMEC's mechanical and electrical services division, where profits jumped from £4.3m to £10.9m. This is likely to be an increasingly important part of Amec's business during the next few years

Earnings per share after allowing for last year's share issue were marginally lower at 21.1p (21.3p). Mr Cockshaw



Alan Cockshaw: offshore orders enjoying a resurgence

however said that there would be an increase after dilution at the year end. The interim dividend was raised from 6.25p to 7.25p.

● COMMENT

Amec is the only construction company to have kept pace with the FT all share index over the past 12 months. Its strengths are its exposure to the offshore oil and gas industry, where orders are currently very strong, and to UK civil engineering, where Amec is perceived as potentially a major beneficiary of increased spending on roads and water. The group's housing operation in the first half was cushioned by the fact that it entered 1989 with a high level of reservations. It also increased its exposure this year in the north of England, where the housing market has held up better than in the south. The second half of the year, by AMEC's own admission, will be tougher. Commercial property profits however should increase with several large sales due to be concluded in the second half. The marriage of the different parts of Matthew Hall with William Press has gone well, increasing Amec's design and build capacity in growth areas of water and transportation – including airport construction and light rail projects. A prospective pe of 8¼ on pre-tax profits of £105m is deservedly at the higher end for the sector.

$23m US buy for St Ives

By Andrew Hill

ST IVES GROUP, the magazine, book and security printer, is to move into the US for the first time with the acquisition of AD Weiss Lithograph, a Florida-based magazine printer, for $23m (£14.9m).

Mr Robert Gavron, St Ives' chairman, said yesterday that the UK company would aim to grow its new US operation organically.

"We can expand the company so much that I think we will be doing that for a year or two unless something quite exceptional comes our way."

However, he said St Ives would shortly announce "a modest acquisitinn" in continental Europe.

Mr Gavron added that St Ives would be interested in any disposals arising from a successful takeover of Norton Opax, the specialist print and packaging group, by Bowater Industries. Bowater, which published its offer document yesterday, could sell Norton's book printing activities if it wins the £382m bid battle.

Weiss, which prints magazine titles including Time, Newsweek, Readers Digest, Cosmopolitan and Harpers Bazaar, is being bought from the US conglomerate Eagle-Picher Industries and will be run by Mr Max Harvey, a St Ives director now based in the US.

In the last three years, Weiss's pre-tax profits have fallen from $4.7m to $1.8m in the year to November 30, oa sales of $35.5m. Mr Gavron said the decline was mainly due to the loss of a large magazine contract after an important client joined Mr Rupert Murdoch's media empire. On completion, Weiss will have net assets of $11.6m.

NEWS DIGEST

Gibbs and Dandy omits interim

PROFITS OF Gibbs and Dandy fell from £452,000 to just £20,000 pre-tax for the half year to June 30 from a turnover unchanged at £12.03m.

Earnings fell to 0.1p (3.5p) and the interim dividend is being omitted – shareholders received 1p *last time*.

Mr John Dandy, chairman, said the results reflected a deterioration in conditions of the building and allied trades, Gibbs and Dandy's core markets.

The company was currently trading profitably in what was traditionally the *better half* of its financial year. Mr Dandy said, however, that while current trading conditions continued, he did not believe that profits for the second half would reach the level of the corresponding period of 1988.

PE International rises 21% to £2.4m

P-E International, a provider of specialist consulting services, returned profits of £2.43m pre-tax for the half year ended June 30, a 21 per cent improvement on the £2.01m achieved for the corresponding period of 1988.

Turnover pushed ahead from £23.45m to £27.44m and after tax of £899,000 (£745,000) earnings emerged at 9.4p (7.8p). The interim dividend is being lifted to 1.7p (1.4p).

During the period the company continued to increase its regional penetration, particularly in Scotland and the north of England. The directors said the order book remained strong.

Friendly Hotels rises to £1.81m

Friendly Hotels lifted pre-tax profits by 60 per cent from £1.13m to £1.81m for the 24 weeks to June 12 1989, on turnover 28 per cent higher at £11.05m.

The directors said the second half *of the year was normally* the more profitable and trading to date encouraged the belief that 1989 would prove another successful year.

After tax of £253,000 (£158,000) earnings per 10p share were 10.4p (7.37p) basic or 9.04p (6.19p) fully diluted. The interim dividend *is* stepped up to 1.35p (1.1p).

TLS Range moves forward to £415,000

TLS Range, the Salford-based vehicle *hire company which* joined the Unlisted Securities Market in May, raised pre-tax profits by 22 per cent from £339,000 to £415,000 for the first half of 1989.

Turnover rose 47 per cent to £2.9m. Earnings per share were 2.45p (2.2p). As foreshadowed, there is no interim dividend.

Mr Richard Birley, the chairman, said TLS only had the use of placing monies for three weeks of the current period and the company would therefore only see the real benefits in the second half.

This, together with the continued high level of activity in the North West, underlined the reasons the board was confident of further positive growth.

Armitage Brothers sharply ahead

Pre-tax profits of Armitage Brothers, pet product manufacturer, advanced sharply from £60,000 to £552,000 *for the year* to May 27 1989, helped by a second half contribntion of £93,000.

A final dividend of 2.8p (2.5p) is recommended for a 5p (4.5p) total. Earnings worked through at 10p (1p).

The profit improvement came from record sales in the UK and overseas – up 16 per cent to £18.1m - the introduction of a better product mix and continuing improvements in efficiency, the directors said.

Sales in the first quarter of the current year were ahead, but there was some evidence of a slowdown. However, new acquisitions, additional products and greater penetration in export markets should ensure continued future growth.

Campari warns of full year shortfall

Campari International, the designer and distributor of casual and leisurewear, reported interim pre-tax profits up from £739,000 to £915,000, but warned that the full year figure was unlikely to exceed the record £4.76m in 1988.

Turnover for the six months to May 31 was £13.64m (£12.66m), while earnings per 20p share climbed from 6.5p to 7.28p. The interim dividend is maintained at 2p.

Mr Ake Nordin, the chairman, said sales in the second half *so far reflected* to some extent present conditions at the retail level, with the current pressure on consumsr spending in the UK.

UK COMPANY NEWS

Burmah rise underpinned by 10% Castrol advance

By Steven Butler

PRE-TAX profits at Burmah Oil, the lubricants, chemicals and shipping group, rose by 13 per cent to £73.2m in the half year to June 30 on sales also 13 per cent higher at £753.5m. Net profits rose 17 per cent to £43.9m.

However, the results came in below market expectations and Burmah shares closed yesterday down 5p at 640p.

The first half performance was underpinned by an eight per cent increase in lubricants volume in its main subsidiary, Castrol, where trading profits rose by 10 per cent to £53.5m.

The US market returned to healthy growth of about 15 per cent, while margins held firm.

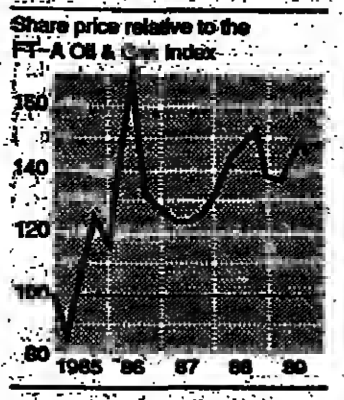
Volumes also grew strongly in West Germany and in several Far East economies. However, Burmah made a decision to restrain the volume of sales in Brazil, its fourth largest market, in order to cope effectively with the problems posed by hyper-inflation, which cut deeply into margins.

Trading profits in speciality chemicals moved ahead strongly, rising 16 per cent to £9.2m.

Printing inks and sealants performed well, although Mr Lawrence Urquhart, managing director, was now looking critically at its adhesives business, which did not have a sufficient critical mass. Burmah would have to expand the business if it were to be worthwhile staying in it.

Burmah Oil

Share price relative to the FT-A Oil & Gas Index



Shipping profits increased from £7m to £11.2m as an initial result of an agreement with Mitsui which removed the need for annual provisions for possible future liabilities on the business, as well as a write-back of earlier provisions.

The group's fuels marketing division performed well, with profits rising from £6.3 to £9m, reflecting expanding business in Turkey, in the UK and in Europe.

Mr Urquhart appeared to deny rumours that Burmah and SHV, the private Dutch group, were preparing a deal which would give Burmah control over Calor, the gas group in which SHV has a 44.5 per cent stake, although he said that he had met with the management of SHV, which has a 4 per cent stake in Burmah.

"We are not actively plotting, nor do we have a plan to take out Calor," he said.

Earnings per share rose from 21.1p to 23.91p and the interim dividend is being raised by 1p to 8p.

Interest payments increased by 52 per cent to £9.7m as a result of higher interest rates and increased borrowings.

● COMMENT

The Burmah Oil slight of hand, which consists of expanding sales in a stagnant market for lubricants, continued strongly in the first half of the year, even though it failed to perform quite as strongly as many expected, causing its shares to languish while the rest of the market rallied. Analysts yesterday were busily marking down earnings forecasts for the full year to about £95m, which with its price at roughly 12 times earnings puts it close to the market average. The hope for investors must be that market disappointment will put the shares down even further. That makes for a bargain price for a company whose outlook for strong growth is as good as ever. The prospects of unloading its near-30 per cent stake in Premier Consolidated Oilfields, which would add 7p to earnings at today's prices, would be a nice bonus.

Computer dealership in Canadian merger

By Alan Cane

COMPUTERGROUP, a Manchester-based chain of personal computer dealerships, has merged with SHL Systemhouse Inc of Ottowa, Canada, in an axchange of shares worth £11.3m.

Mr Iain Macdonald, chairman of ComputerGroup, said the combined operations of the two companies would create the largest personal computer supplier outside the US, with nearly 100 branches throughout Canada and the UK.

ComputerGroup, now five years old, is the largest UK franchisee of the US-based Computerland group. It owns 13 of the 26 Computerland centres in the UK and revenues last year amounted to £35m. Systemhouse, with 1989 revenues likely to exceed $700m (£453m) is quoted in New York, Toronto and Montreal. It acquired the entire Computer-Land Canada operation in 1988.

In 1986, Development Capital Group, the venture capital arm of Lazards merchant bank, put together a funding package worth £750,000 for ComputerGroup. It will realize £2.36m from that investment as a result of the merger.

The merger illustrates a trend within the personal computer industry towards larger dealerships offering a broader range of skills and experience.

R and H Hall

R and H Hall, agricultural merchant, cereals and seed processors, reported pre-tax profits of I£1.6m (I£1.58m) in the half-year to June 30. Turnover I£119.8m (I£86.3m). The interim dividend is 1.5p (1p).

Banking and fund management income offsets fall in property profits

Singer & Friedlander up to £10.7m

By David Lascelles, Banking Editor

SINGER & FRIEDLANDER, the City of London property and financial services group, yesterday reported pre-tax profits of £10.7m for the half year to June 30, a 17.7 per cent improvement on last year's £9.1m.

After tax, profits were £7.2m, a gain of 13.7 per cent. The interim and intended final dividend is being raised by 25 per cent to 2.5p. Mr Tony Solomons, the chairman, said the dividend was well covered, and the company now had a policy of increasing the dividend more rapidly than profits.

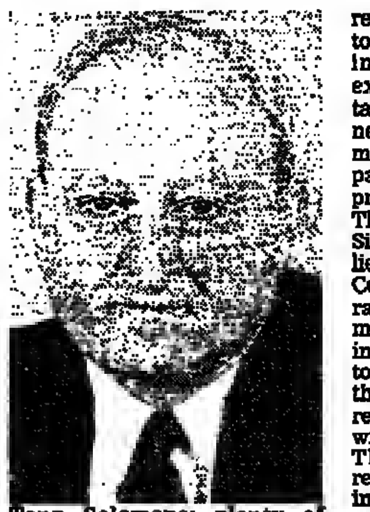
The bulk of earnings came from the group's banking and fund management activities, which earned £6.4m, up from £5.8m. According to Mr Solomons, the banking business had improved thanks to a gradual shedding of low margin, large corporate business, and an increasing concentration on the medium and small company market. The group's Third World debt trading business was down because of a slack market.

On the property side profits were down to £1.1m from £1.9m following the sale of Centrovincial Estates. But Mr Solomons said the remaining business was doing well. There were no unlet properties, and rent reviews were producing higher income. He said there was no vulnerability to a property downturn.

The cash proceeds of the Centrovincial sale, now standing at some £55m, were reflected in sharply increased interest and investment income of £3.2m (£1.4m).

Mr Solomons said that Singers had identified a new business area into which some of the cash might be invested, however it was too soon to disclose what it was. Singers had earlier indicated an interest in expanding into insurance broking but Mr Solomons said that prices were too high.

Mr Solomons described Singers' future as "interesting" since the company believed that there was plenty of scope for expanding most of its main lines of business.



Tony Solomons: plenty of scope for expansion

● COMMENT

Singers have proved there is a virtue in monotony, and yesterday's better-than-expected result pushed the shares up 2p to 77p. The steady rise in earnings again reflects the extremely cautious approach taken by Singers to its business, illustrated by Mr Solomons' bold claim that his company is invulnerable to a property market downturn. The result was also helped by Singers' correction of its earlier mistaken placement of the Centrovincial proceeds at low rates of interest: they are now much more lucratively invested. The challenge now is to find a permanent home for the cash that will boost overall returns and provide Singers with new strategic objectives. The share performance remains strongly subject to the intentions of major shareholders: British & Commonwealth are thought to be sellers. Mercury Asset Management are lightening their 20 per cent holding, but Mr Robert Maxwell seems content to sit tight for the time being. After yesterday's rise the shares are on a prospective p/e of 12.

Lambert Howarth back in profit mid-way

By John Thornhill

LAMBERT HOWARTH, the footwear and luggage group, yesterday announced a return to profitability at the interim stage and the proposed disposal of its Custom Case subsidiary for £720,000 in cash.

The subsidiary, which makes cases and briefcases, assumed some prominence earlier this year. Peter Black, the consumer goods manufacturer, criticised its performance when making an unsuccessful £9.1m offer for Lambert.

However, Mr Martin Jourdan, Lambert chairman, said the decision to sell Custom had not been prompted by Peter Black's attack. "I had forgotten they even criticised it."

But he added that Custom - which was acquired two years ago - had not performed as expected and the proceeds from its sale could be better invested elsewhere.

Mr Malcolm Payton, a Lambert director, is seeking to buy Custom Case and will resign from the Lambert board without compensation if his offer is accepted by shareholders. In 1988, Custom made £96,000 pre-tax and at the end of that year net assets were £1.03m.

Mr Martin Jourdan said several other companies had expressed interest in Custom and any higher offers would be considered by Lambert's board.

Lambert also announced yesterday that it made pre-tax profits of £710,000 in the half year to June 30, against a £39,000 loss in the comparable period. Turnover rose 20 per cent to £23.22m (£19.42m).

During the bid battle, Lambert forecast pre-tax profits of £1.25m for 1989.

Three reasons were given for the return to profitability: a shift in its imports towards spring merchandise; the success of its manufactured ranges and improvements in efficiency and a better response to market changes.

Lambert's financial position will be strengthened by the sale of its property in York Way, London, for £2.2m.

The interim dividend is 3p (2.5p). Earnings were 9p, against a 0.9p loss previously.

An extraordinary charge of £188,000 relates to the costs of the bid defence. Black, which reported its annual results on Wednesday, revealed that the bid had cost £298,000.

Acsis £25.4m acquisitions

By Ray Bashford

ACSIS IS expanding its diversified marketing services businesses through five acquisitions for a maximum of £25.4m. This side of the business has grown over the past two years out of the shell of the Acsis Jewellery company.

The purchases are being principally financed through a rights issue to raise £21.2m. The issue will be on the basis of five-for-12 at 66p a share, compared with yesterday's closing price of 80p. The shares are quoted on the USM.

The initial price for the five companies is £15.8m with the payment of the further £9.5m pegged to the achievement of profit targets.

The £15.8m payment will be met through the issue of vendor shares at 77p to raise £3.46m with the rest in cash derived from the rights issue.

The purchases come slightly less than a year after Acsis bought five other companies for a maximum of £26.3m.

This was the company's first large-scale acquisition since South African, Mr Darryl Phillips took over Acsis in June 1987.

Mr Phillips plans for expansion were delayed in the immediate aftermath of the October 1987 stock market crash.

However, through acquisitions and organic growth the company was able to return pre-tax profits of £3.68m on a merger accounted basis in the 12 months to December 31, compared with £1.99m previously.

The five companies being acquired will fit into the group's media sales, recruitment and hotel design divisions and have been chosen after Acsis sifted through 109 possible targets, Mr Phillips said.

Media House is being acquired for £5.7m and will expand the group's media sales business through its specialisation in advertising space in supermarkets.

The company returned pre-tax profits of £657,000 in the 12 months to March 31 this year.

Acisis is paying £2.4m for Peter Inston, a specialist in interior design and decoration of country house hotels. In the year to June 30 1988 it reported pre-tax profits of £400,000 on a turnover of £1m.

Cromwell, another specialist on hotel refurbishment, will be purchased for £3.1m. The company returned pre-tax profits of £473,000 in the 12 months to March 31 this year on a turnover of £3.2m.

The Acsis recruitment arm will be developed through the purchase of FMS for an initial consideration of £1.35m. FMS specialises in financial management personnel and made pre-tax profits of £298,000 on a turnover of £897,000 in the 12 months to June 30 this year.

Reuter Simkin is the second recruitment company in the package of acquisitions. The group will be bought for a total consideration of £3.1m. It reported operating profits before exceptional items of £613,000 on a turnover of £2.6m in the 12 months to April 30.

Fraser completes reversal into Dewey

By Ray Bashford

THE PLAN to reverse Robert Fraser, the private merchant bank, into Dewey Warren, the USM-quoted shell company which has cash reserves of approximately £50m, has succeeded after overcoming strong opposition from a large Dewey shareholder.

The consideration for the deal is £20m in convertible unsecured loan stock in Dewey and £1m in cash.

Dewey Warren, the former Lloyds' broker in which Robert Fraser has a 29.9 per cent interest, was forced to reconsider the planned reverse takeover eight months ago.

This was when Plambuit, which holds a 13 per cent stake in Dewey, began expressing opposition to the terms of the plan.

Plambuit has disposed of the shareholding since it requisitioned an extraordinary general meeting last May and the block of shares is believed to have been broken up.

Mr Colin Emson, the chairman of Dewey, said that the reverse takeover would create a diversified financial services company with businesses in merchant banking, property finance, management and syndication and insurance broking, both Lloyds' and general.

On the completion of the deal, the name of the company will be Robert Fraser Holdings.

UK COMPANY NEWS

MFI suffers 10% decline in sales

By Christopher Parkes, Consumer Industries Editor

SALES AT the freshly refinanced MFI furniture chain are down 10 per cent on last year, and no increases are expected until the middle of 1990, Mr Derek Hunt, chairman, said in London yesterday.

"If interest rates do not fall by then, I don't expect business to improve one bit," he added.

The main source of the depression was people's reluctance to move house. Home movers normally accounted for 40 per cent of furniture sales, Mr Hunt said.

In previous recessions shoppers had tended to buy cheaper furniture, but this time they had simply withdrawn. Home-owners were also concerned about reports that house values were falling, especially in the south-east.

"They are reluctant to try to add value to an asset which is declining in value," he added.

Sales were stronger in the north and Scotland. The group's best performing stores were in places like North Shields, Gateshead and Edinburgh.

There were also signs that the introduction of more upmarket furniture, from the Schreiber manufacturing subsidiary bought last November, would help increase market share and turnover.

Mr Hunt said that the recent £35m refinancing of the group, which was bought out by its management in November 1987, had effectively lost it a year in its development plan.

Capital expenditure this year had been reduced by 25per cent to £25m, mainly through reducing the store opening programme. Even so, 50,000 sq ft of new selling space was expected to open this year.

Operating costs had been pruned by £18m, with more than £4m from a cut in advertising budgets. Staff cuts affecting 1,350 had saved £8m. Stock levels had been cut by £10m since April.

The original plan to float the company this autumn had been thrown off course by the downturn.

"In four year's time we will either be floating, refinanced, or somewhere else," Mr Hunt said.

Derek Hunt: improvement in business depends on lower interest rates

Sharp decline at Hartons to £627,000

Hartons Group, which experienced a marginal downturn in profits for the 1988 year, suffered a much sharper setback for the opening six months of the current year.

At the pre-tax level, profits dived from £2.26m to just £627,000 and the interim dividend is being cut from 0.6p to a nominal 0.1p.

The directors said a decision on the final payment (1.09p last time) would be made when the results for the second half — normally the stronger period — were known.

First half turnover advanced from £55.91m to £78.78m — the group has interests in plastics and the manufacture of PVC foam and spring assemblies.

Basic earnings worked through at 0.27p (1.78p) or fully diluted at 0.49p (1.74p).

Senior surges 25% to £7.6m and gearing reduced sharply

By John Thornhill

SENIOR ENGINEERING Group yesterday revealed a 25 per cent advance in pre-tax profits at the half-way stage.

In the first six months of 1989, the group increased taxable profits from £6.06m to £7.6m on turnover ahead 38 per cent at £128.21m.

Professor Roland Smith, chairman, said that all Senior's businesses had produced favourable results. Orders in most areas had remained at good levels, although high interest rates had affected demand for products supplied to the consumer durable markets.

However, Mr Don McFarlane, managing director, stressed that the small slackening of demand in these markets would have only a marginal dampening effect on the group's results in the second half.

Demand for steel tubes — Senior's major product for the consumer durable markets — had been only slightly down on the previous year's record levels and represented a small proportion (10 per cent) of Senior's overall business, said Mr McFarlane.

Elsewhere, business remained strong, especially in the construction services division, he said.

Earnings per share grew 21.4 per cent to 3.29p (2.71p), despite a £24m rights issue in June. The directors declared an interim dividend of 1.08p (1p).

Net interest payments were substantially higher at £1.58m (£500,000), although Senior's level of gearing has been reduced from about 54 per cent to 21 per cent following the rights issue.

Senior has finalised the acquisition of Tube Products for £13.4m, which greatly increases its interests in the manufacture of rigid steel tubes.

Following the purchase of Heat Treatment in Spain for £1m, Senior is planning to expand its presence in the Spanish heat treatment market where it believes there is considerable opportunity. Further acquisitions are being considered.

Analysts have not changed their forecasts and expect Senior to turn in £16.5m-£17.5m in pre-tax profits for the full year.

Waterford Foods pays £41.4m for dairy group

By Lisa Wood

WATERFORD FOODS, the Irish-based food processing and agri-trading group, is to acquire A Heald, the Manchester-based dairy and fruit juice company in a part cash, part loan note and shares deal worth £41.42m (I£47.5m).

Waterford, which is quoted on the USM, also said yesterday that in order to strengthen its financial positiou and have the resources to fund acquisitions it was enlarging the capital base of the company and was placing 10.8m new ordinary shares with institutions at a price of 110p per share, which would raise I£11.9m.

There will be full clawback arrangements with the institutions whereby existing shareholders in Waterford will be entitled to subscribe for one new share for every two currently held.

Family-controlled Heald is one of the last remaining large independent dairies in the UK. Its businesses inclnde a dairy, fruit juices and prepared vegetables. In the year to October 1988 sales were £89.1m with a pre-tax profit of £2.9m. Net assets of the business are estimated at £10m.

While both companies operate nationally Heald has a strong regional presence in the north-west and Waterford holds a prominent position in London and the south-east.

Waterford, which in the year to December 1988 made a pre-tax profit of IR£7.9m, said the acquisition was an integral part of its strategic plan for the development of a substantial fresh foods business on a national scale in the UK.

The acquisition is conditional npon approval by Waterford shareholders.

Tyne Tees TV rises to £3.38m despite rise in programme costs

By John Ridding

TYNE TEES Television, the ITV contractor for tha north-east and North Yorkshire, yesterday announced pre-tax profits of £3.38m for the six months to June 30, an increase of 20 per cent over the comparable period last time.

The improvament was achieved despite a aharp increase in programma costs from £7.6m to £11.5m. The principal factor was an increase in the costs of network programmes resulting from the new ITV networking arrangements.

Under these arrangements the regional contractors pay an increased tariff for network productions. In theory this should be offset by higher returns from their own sales but, according to Mr David Reay, managing director, this does not occur in practice because the "big five" contractors have greater influence in deciding the schedule.

In addition they can place some of their stronger programmes in the flexipool — those programmes used to fill the slots available to all of the contractors — instead of using them for their guaranteed slots.

Mr Reay described the new system as "deeply faulted" since it puts large regional companies such as Tyne Tees at a disadvantage compared with the rest of the network. He said we are "lobbying for a fairer system".

Turnover increased by 13 per cent to £32m. Advertising, which represented the bulk, increased by 10 per cent but this represented a slight fall in the company's share of the industry total.

In addition, the company warned that "there are clear signs that the growth of industry advertising revenues is slowing." In July television advertising growth increased by only 4 per cent.

During the period the ITV companies disposed of their holdings in Independent Television Publications, which publishes the TV Times. The gain to Tyne Tees is taken as a £3m extraordinary item.

Tyne Tees expects to have net cash of about £14m by the end of the year. Mr Reay said that some of this would be used to finance expansion into related broadcasting activities.

Earnings per share increased from 16.83p to 20.86p. There is an interim dividend of 6p (5p).

MTM progresses to £4.1m

By John Ridding

MTM, the specialist chemicals mannfacturer, yesterday announced pre-tax profits of £4.1m, for the six months to June 30, a rise of 36.6 per cent.

The results cover a period of reorganisation of the group's management and operating structure. At the beginning of June the company sold its 50 per cent in Norsochem, its joint venture with Orkem of France.

Norsochem's results were included up to the date of disposal and comprised sales of £8.1m, out of a total of £34.1m (£29.6m). It added about £100,000 to profits and represented part of a £1.3m extraordinary credit relating to the divestment of non-strategic businesses.

The company has been reorganised into four main operating businesses - pharmachemicals, agrochemicals, specialist chemicals, and services. According to Mr Richard Lines, chairman, the aim is to bring the manufacturing operations into closer contact with the customers.

The group's board has also been reshaped. It has been reduced in size to four directors, all of whom are concentrating on strategic matters rather than the day to day running of the business. Mr Lines said that "the costs associated with the board are now about 30 per cent less in real terms than they were two years ago."

He said that the costs of the reorganisation were "fairly large" but had not been broken down at the interim stage.

Following the proceeds from the sale of the Norsochem stake the group has almost zero gearing. Mr Lines said "tha number of acquisition irons in the fire is enormous" and that the group would target high-value-added chemicals.

Earnings per share rose from 6.5p to 7.8p. There is an interim dividend of 1.4p (1.1p).

Acquisitions boost Perkins

By Philip Coggan

PERKINS FOODS, the former John Perkins Meats which is being revamped as a fruit and vegetable distributor, yesterday revealed interim pre-tax profits of £3.7m in the six months to June 30.

The USM-quoted company has made a spate of acquisitions, particularly in the Netherlands, since its last interim results which showed pre-tax profits of just £280,000. The original meat packing business has been sold.

Two companies — Van der Made and Holland Champignons — were acquired in June and made little contribution to these figures. Mr Howard Phillips, chief executive, said that another Dutch company, Nuka, had recently won a major contract to sell frozen asparagus from Peru to Italian supermarkets. Around 70 per cent of the group's turnover is now Netherlands-based.

Mr Phillips said that group companies showed organic profits growth of around 16 per cent. Turnover grew from £10.6m to £71.5m and after tax of £1.3m (£89,000), fully diluted earnings per share were 3.1p (1.2p). The interim dividend is being increased to 1.4p (1.3p).

NEWS DIGEST

Sinclair Goldsmith beats £2m

A FURTHER strong advance in profits was recorded by Sinclair Goldsmith Holdings, surveyor, estate agent and rating consultant, in the year to May 31. Pre-tax profits rose 46 per cent from £1.45m to £2.12m on turnover ahead 48 per cent from £4m to £5.93m.

In 1987, the year the company was floated, profits amounted to £450,000 for the four months period.

Earnings in the 12 months under review rose to 12.3p (8.37p) and a final dividend of 3.5p has been recommended, making a total for the year of 5p (3p).

The directors said the current year had started very strongly. A fourth office was planned for Croydon.

Pentos expands via £7m purchase

Pentos, a holding company engaged in specialist retailing and office furniture, has made a £6.9m recommended offer for HK Lewis and Company, a leading UK retailer of medical and scientific books.

Consideration is being funded via a placing of 3.43m ordinary shares, realising £3.94m, with the balance funded from bank facilities.

Irrevocable undertakings to accept the offer have been received in respect of 81.8 per cent of the Lewis capital.

For the year ended June 30 1988 the company achieved pre-tax profits of £248,776. For the past year management accounts show profits at £221,000 and shareholders' funds at £64m.

Contracts have been exchanged to sell two of Lewis's freehold properties for £2.55m when the offer becomes unconditional.

In addition, an option has been granted for the sale of the remaining properties for £1.7m.

Negotiations are already underway for the sale of the publishing interests.

Herring Son & Daw profits doubled

Herring Son & Daw Holdings, a commercial estate agent and property consultant, reported that profits almost doubled in the six months to July 31.

The pre-tax figure is up 90 per cent from £939,000, to £1.79m on turnover which improved 71 per cent to £6.26m (£3.67m). Earnings per 10p share increased from 6.89p to 10.25p after tax of £653,000 (£343,000).

The interim dividend goes up 1p to 2.5p; last year's total payment was 4p.

Mr Nicholas Owen, the chairman, said the results included earnings for the seven months since acquisition of James Barr, but no contribution was taken from Phillips Brown where the purchase was completed in July.

Mr Owen said the company continued to trade strongly with all divisions on course to achieve their budgets for the year end.

The order book continued to grow at an encouraging pace.

SUE PASCO, BRANCH MANAGER, OUR PRICE MUSIC.

"we are still forecasting very healthy growth in records and tapes"
HENLEY CENTRE: LEISURE FUTURES

GEORGE BLACK, DIRECTOR OF PROGRAMMES, WH SMITH TELEVISION.

"WH Smith is shaping up to be a beneficiary in pan European broadcasting"
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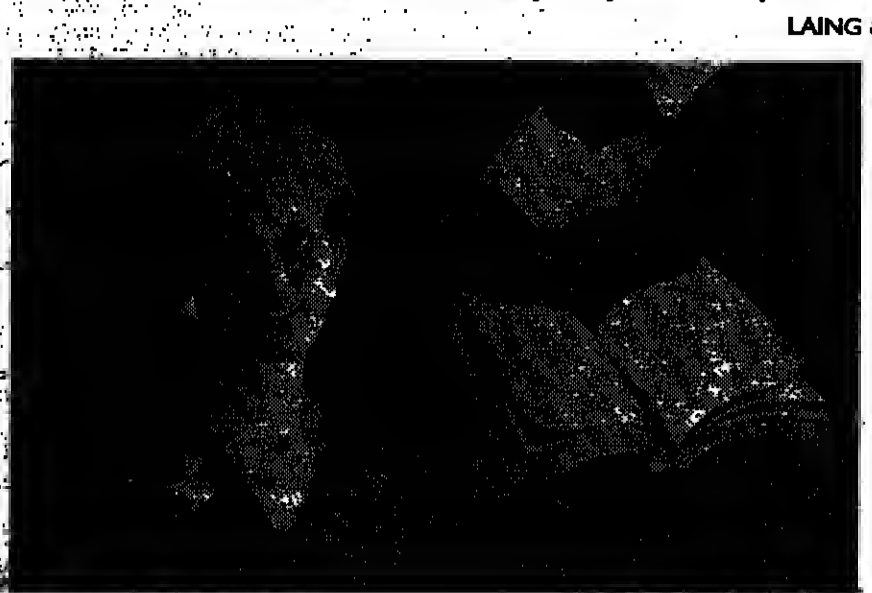


GILL FRESHWATER, MARKETING EXECUTIVE, HEATHCOTE BOOKS.

"reading continues to survive as a major leisure activity"
THE BOOK REPORT, EUROMONITOR

PAUL HOLT, REGIONAL SALES MANAGER, WH SMITH NEWS.

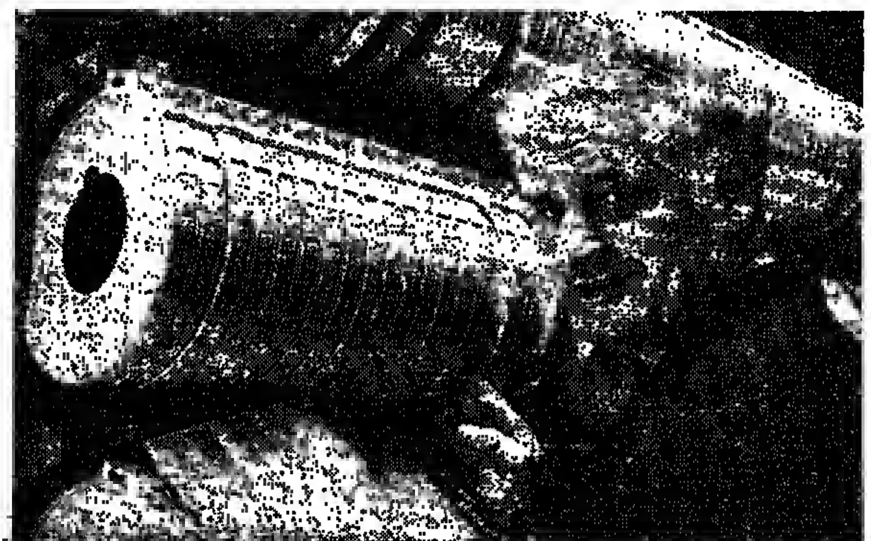
"the Group's share of periodicals and magazines is increasing"
PANMURE GORDON & CO LIMITED

PETER CLAPP, DESIGN MANAGER, WH SMITH GROUP.

"the new store design, which is clearly boosting performance"
BARCLAYS DE ZOETE WEDD

ROWENA WRIGHT, SENIOR BUYER, WH SMITH DO IT ALL

"effectively secured a significant niche for themselves in the market"
MORGAN STANLEY



TOM GELLEBURN, EPOS ADMINISTRATION MANAGER, WH SMITH RETAIL.

"a strong upward move on gross margin as a result of benefits from EPOS"
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DONALD KERR, MANAGING DIRECTOR, PENTAGON GROUP.

"WH Smith's commercial stationery — displaying strong growth"
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Veterinary chief backs milk-boosting hormone

By Bridget Bloom, Agriculture Correspondent

THE CONTROVERSY over whether or not BST, the new milk-boosting hormone, should be licensed by governments for use by dairy farmers shows no signs of slackening.

A strong defence of the hormono, bovine somatotropin, and other actual or potential bio-technological developments was launched at the annual conference of the British Veterinary Association in Glascow yesterday.

Mr Walter Boswick, the Association's president for the past year, defended BST – which has so far not been accepted for commercial use in the European Community or in the US – as a natural product which simply enabled a cow to "reech maximom milking potential at minimum extra cost in feed."

BST was present in all milk, while milk from a freshly calved heifer contained the hormone to a "degree many times higher" than that from a cow that had been treated with it,he said.

Suggesting that there was no reason why the product should not be accepted for commercial use, Mr Beswick added that if biotechnological developments concerning animals were stopped, there could be serious ramifications for human medicine also.

The development of BST, for example, could have a beneficial spin-off for the much low-or-cost production of human somatotropin, which is used in the treatment of children who would otherwise not reach adult stature.

BST, on the verge of commercial production by a number of companies inlcuding Monsanto and Eli Lilly, both US companies,is awaiting approval from the US Food and Drugs Administration, perhaps by the year's end.

However, the future of the hormone in the EC is highly uncertain, since a decision is still awaited from the Commission on whether the current ban is to be extended by 18 months to two years to allow for further tests.

Many EC consumer and farmer organisations, including Britain's National Farmers' Union, favour a ban. However, in July Mr Clayton Yeutter, the US Agriculture Secretary, warned that an extension of the ban would be opposed by Washington and could damage trade relations between the US and the EC.

● Five of the largest US supermarket chains are reported to be refusing to buy dairy products from farmers who have treated their cows with BST, according to the Washington Post. The newspaper said thet the supermarket response was the result of letters sent to a dozen of the largest supermarket chains by a well known opponent of bio-technology, Mr Jeremy Rivkind, who is supported in his campaign against BST by 40 farmers', consumer, animal welfare and environmental groups.

EC 'will not go it alone on farm cuts'

By John Empson

THE EUROPEAN Community is not willing to go it alone on cutting agricultural support levels, a senior official told an international dairy conference in Copenhagen this week. "We are prepared to play our part," said Dr T. O'Dwyer, former EC director of livestock products and now Chef de Cabinet of Mr Ray MacSharry, the EC Agriculture Commissioner, "but we are not prepared to cut our production so that others can step in and take our place on the world markets."

He was addressing representatives of 30 countries at the International Dairy Federation's annual meeting.

Referring to the continuing Uruguay round of negotiations in the General Agreement on Tariffs and Trade, he said the Community had been asked to make real reductions in agricultural support with a view to liberalising world trade.

He emphasised the success of EC measures in cutting milk production as compared with fellow members of the Organisation of Economic Co-operation and Development.

In 1986 overall OECD milk supplies amounted to nearly 215m tonnes, a record figure despite the decrease of 2 per cent over the previous two years in the EC. In 1987 global OECD supplies fell by 6.4m tonnes or 3 per cent. But 6m tonnes of this came from the Community and only 500,000 tonnes from the US, while New Zealand's small reduction of 200,000 tonnes was offset by increased production in Australia.

The prospect for 1988-89 was again for a further redaction in Community production of 3.8m tonnes or 4 per cent hut this, Dr O'Dwyer claimed, would be totally offset by the increases in other OECD countries. This he concluded was simply not good enough.

Looking ahead Dr O'Dwyer said the Commission was not proposing to make major changes to the quota system. However there was a considerable excess of supply over the qnota level. Proposals had therefore been made to tighten up in the application of the penalties on overproduction through the superlevy.

ITC members meet on debt settlement

By Kenneth Gooding, Mining Correspondent

DELEGATES REPRESENTING the 22 countries of the International Tin Council met in London yesterday to consider, again, possible ont-of-court settlements of the law suits which followed the 1985 collapse of the ITC's tin price support scheme.

Creditor banks and brokers claim they are owed £513m hut have indicated they would be willing to accept £182.5m out of court.

ITC delegates are willing to go no higher than £150m. The latest round of ITC talks was officially convened to discuss the possible wording of any settlement but the question of money is bound to come up.

Since the most recent negotiations between the protagonists broke up in July, according to documents obtained by Reuter, Sweden has proposed that, instead of any settlement payment being evenly shared, the six prodncing countries among the ITC members, pay £57.95m with consuming countries taking responsibility for the rest.

This plan would involve Japan, Malaysia and West Germany making the largest settlement contributions – of £23.05m, £18.72m and 16.48m respectively.

Japan and the UK have also signalled their willingness to cover 25 per cent each of the shortfall from the £182.5m asked for by creditors once the £150m ITC target is met. ITC delegates are looking to the two other large consumers, West Germany and France, to make up the difference but so far they seem unwilling to do so.

An informal committee meeting on the settlement question yesterday will be followed by a formal session today. Another ITC meeting is scheduled for September 22.

Government assurance given on forestry

By James Buxton, Scottish Correspondent

THE UK forestry industry was yesterday reassured that the Government would look at what needed to be done if the recovery in the rate of tree planting proved to be "disappointingly slow" following the change in the tax treatmeot of forestry in the 1988 budget.

The assurance came from Mr Raymond Johnstone, who this month took over as chairman of the Forestry Commission. In his first puhlic speech he acknowledged "the unease felt hy many who foresee a significant decline in new planting."

Ministers expected the dip in new planting to be temporary, he said, but if it was not they would look at what reasonably needed to be done. "You will appreciate that any case for more government assistance for forestry will have to be supported by facts and clear evidence of planting trends over a reasonable period," he said.

That point had not been reached. Bnt the Forestry Commission, as the Government's forestry advisers, would be watching the situation closely, he said.

In 1988 the Government abolished tax concessions for forestry bnt substantially increased grants for new planting.

Although official figures for new planting in 1988 are not yet available there is evidence of a sharp downturn.

Mr Johnstone, who is chairman of Murray Johnstone, the Glasgow fund management company, as well as being a landowner, was opening new offices outside Edinburgh of Scottish Woodlands, a leading private forestry company.

Mr James Bruce, chairman of Scottish Woodlands, told Mr Johnstone he hoped the Government would not wait too long before acting to raise the level of confidence in the industry. He proposed that the Government should:

● Pay planting grants in full when planting was complete, instead of spreading the payments ont over five to 10 years.

● Provide a pension scheme to encourage elderly hill farmers to retire and release their land for forestry.

● Raise the level of supplementary grant for planting on better quality land.

Mr Johnstone said he wanted to meet his opposite numbers in the conservation agencies "to seek their co-operation and mutual understanding in an effort to defuse the perceived conflict between forestry and the environment.

Putting the bounce back into UK hops

Bridget Bloom reports on new hope dawning after a bitter period

A NEW era may be dawning for the British hop – not because Britons are drinking more beer but because, at last, the hop producing industry may be able to take advantage of new technology to pull itself out of the doldrums.

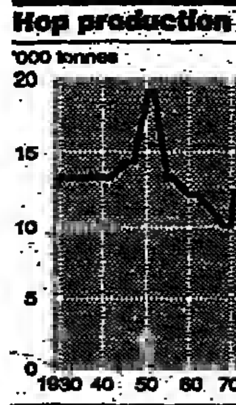
Hops, the pale green catkin-like fruit of a vine related to the mulberry, have been a familiar sight in the sonth of England for generations, as are the oast houses in which they are dried. But the area laid down to the traditional high-poled and wired hop gardens (know as "yards" in the West Midlands) has declined dramatically in the last few years while production, at some 4,000 tonnes this year, is only a half of what it was in the late 1970s.

The hop, used to impart both the bitterness and aroma to beers of all sorts, is still a vital ingredient for the brewing industry, but technology has made it possible to pelletise the fruit, or redoce it to extract, thus making it go further, while Britain's brewing industry has also succumbed to imports.

In addition, the shift in the young British beer-drinker's preference to the lager type of beer as against traditional bitters has not been helpful to hop sales, since lager beers use fewer hops.

Hop production

'000 tonnes



There is one more factor to explain the hop decline: production used to be closely controlled, through quotas and other devices, by the Hop Marketing Board, formed in 1932. Prices were then fixed by the Board in negotiation with the brewers.

But that cosy relationship ended in 1982 with abolition of the Board, under pressure from the European Community.

Following a transitional five year period, when many of the old contract arrangements between growers and brewers persisted, the industry is now attempting to come to terms with the much freer market – though so-called income aid, at between £230 and £275 a hectare (depending on the size of the harvest) is still paid by the EC.

In 1982, the marketing board turned itself into grower co-operative but then, with about two thirds of the country's 300 or so growers (now down to about 270), became a limited company, English Hops Ltd, in 1987.

It went a stage further last November, when English Hop Processing was formed, a joint venture between English Hops and Hopunion and Dower Wood - respectively a leading German hop merchant and a well known English grain merchant specialising in malting barley.

Mr Richard Wood, chairman of Dower Wood and recent President of the UK Agricultural Supply Trades Association, describes the move both as an attempt to add value to the hops, and as importantly, to improve marketing.

English Hop Processing has high hopes of two new products, developed in conjunction with the Brewing Research Foundation, itself funded by the UK brewing industry.

One is a new "environmentally friendly" method of processing, using carbon dioxide so that the resultant extract is free from both nitrate and pesticide residues

The other is a new product, known as PIKE - or pre-isomerised kettle extract - which, EHP claims will "offer brewers major economies in hop usage and energy consumption." The company says interest has been shown in these products in the EC, in the US, Japan and South America.

An official of the Brewers Society said yesterday that the new developments should give the UK an added advantage in export markets, where hop extracts already form a substantial role in hop production.

The battle may still be uphill. The company does not disguise that it has had "some problems" with the main extract plant, while it is clearly not an easy task to transform a highly controlled industry into an entrepreneurial one.

But at least Britain's hop growers can draw some comfort from the fact that, while the "hop content" of a pint of beer is only one tenth of a penny (or less than 0.1 per cent by value) when it comes down to it, no one yet succeeded in inventing an alternative to the fruit.

Ram price record smashed

By Chris Sherwell in Sydney

THE WORLD record price for a Merino ram was smashed twice in five minutes yesterday, effectively tripling the value of a top quality ram in only two years.

At sales in Adelaide, a local stud owner paid a breathtaking A$450,000 (£220,000) for a 75 per cent share in Lustre 53, a ram produced by the respected Collinsville stud, which retained the remaining 25 per cent in accordance with new government export controls.

The bid put an effective value of A$600,000 on the ram, almost double the record set last year of A$330,000 and nearly three times the 1987 record of A$215,000. At this rate, the first million-dollar ram could materialise next year.

Lustre 53's sale broke a record set only five minutes earlier, when two South African stud breeders paid A$360,000 for a 75 per cent share in Goliath 20, another of Collinsville's rams.

The bid for Lustre 53 came from Mr Richard Nitschke, who paid the A$215,000 record in 1987. His rams are all genetically linked to those from nearby Collinsville, north of Adelaide.

Lustre 53 will be naturally mated first, and the resulting progeny will be retained for use on the stud. His real value, however, is in his semen, which can be kept in frozen form over a long period and, through in vitro fertilisation, produce larger numbers of progeny.

Neill Garnett shows off the world's most expensive ram

Mr Neil Garnett, Collinsville's chief, calculates that Lustre 53 is capable of producing semen worth nearly A$250,000 per week. His stud not only retains 25 per cent ownership, it also receives a share of the proceeds from all semen sales.

Yesterday's sales therefore add considerably to Collinsville's value, as well as its standing.

Altogether, it sold 16 Merino rams for a total of just over A$1m. All had been artificially bred using frozen semen.

Next month it is the turn of the poll (hornless) Merinos when sales take place in Dubbo, New South Wales. The world record for a poll Merino is A$188,000, set last year.

Nearby strength seen for coffee

By David Blackwell

THE COFFEE market could strengthen in the near future, although any rallies will be short-lived as producers sell into the rise, according to the latest report from E.D.& F.Man, the London trade house.

In the short-term the seasonal demand trend suggests retail sales will pick up soon and roasters will be buying for the winter.

However, the potential shipments from Brazil, Mexico, Colombia and Indonesia total 16.9m bags for the six months to the end of December.

This figure represents "a very high level of sales so far" in the two months since the International Coffee Organisation suspended its export quota system. It is approximately 50 per cent of world demand for the six months, says the report.

"This implies that the expected shift in stocks from producers to consumers is rapidly occurring, which could weigh heavily on market values in Oct/Dec 1989."

Brazil, the biggest producer, is estimated to have 8.5m bags ready for shipment "so it seems that Brazil is successfully increasing her share of world exports as intended."

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL prices continued this week's fall against a background of bearish charts and merchant selling of cash metal. But three-month metal held above the psychologically important $5 a lb level. Zinc prices were again steady, and dealers said the market appeared to be pausing after the tumble earlier in the week once the recent nearby squeeze ended and on news of warehouse stocks reaching five-year highs. Lead prices edged ahead – the market is now drifting within a range of about £20 a tonne, with support at £440 and resistance at £460, dealers said. A bout of merchant buying set the stage for the recovery today, while producer selling has tended to appear this week at the high end of the range. On the BFE the cash settlement contract for November pigs rose 2½p to 126p a kilo as turnover reached a record 151 lots.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.50-5.55w	-.175
Brent Blend	$17.80-7.91	-.085
W.T.I. (1 pm est)	$19.35-9.40w	+.025
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$204-205	+3
Gas Oil	$166-167	
Heavy Fuel Oil	$84-86	
Naphtha	$158-160	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$359.5	-0.5
Silver (per troy oz)♣	512c	+1
Platinum (per troy oz)	$474.5	-4.2
Palladium (per troy oz)	$134.1	-0.5
Aluminium (free market)	$1725	-40
Copper (US Producer)	133¾-135c	-1¾
Lead (US Producer)	40.5c	
Nickel (free market)	520c	-20
Tin (Kuala Lumpur market)	23.15r	+0.11
Tin (New York)	400.5c	
Zinc (US Prime Western)	83¼c	
Cattle (live weight)†	118.31p	-1.80*
Sheep (dead weight)†	145.33p	-4.29*
Pigs (live weight)†	107.59p	+11.9*
London daily sugar (raw)	$331.0v	+3.0
London daily sugar (white)	$436.5v	-15.0
Tate and Lyle export price	£329.0	+3.0
Barley (English feed)	£108	
Maize (US No. 3 yellow)	£125	
Wheat (US Dark Northern)	£126.5z	
Rubber (spot)♥	59.50p	+0.50
Rubber (Oct)♥	62.50p	+0.50
Rubber (Nov)♥	63.25p	+0.50
Rubber (KL RSS No 1 Oct)	236.0m	
Coconut oil (Philippines)§	$490v	
Palm Oil (Malaysian)§	$322.5	+2.5
Copra (Philippines)§	$295	
Soyabeans (US)	£175	+2
Cotton "A" index	81.1c	-0.7
Wooltops (64s Super)	593p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	754	761	755	743
Dec	808	806	813	799
Mar	779	777	782	777
May	787	782	790	776
Jul	802	798	804	791
Sep	816	814	816	805
Dec	842	838	844	835

Turnover: 2896 (6677) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Sep 7 927.43 (920.14). 10 day average for Sep 6 941.55 (944.45)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Sep	794	800	795	780
Nov	808	800	818	804
Jan	807	813	815	807
Mar	822	825	831	818
May	840	845	850	843
Jul	860	865	867	860
Sep	880	890	884	

Turnover: 2055 (6735) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Sep 6: Comp. daily 70.88 (70.07). 15 day average 69.13 (68.92)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	300.00	294.00	301.00	291.00
Dec	296.00	287.60		
Mar	287.20	277.80	280.00	276.60
May	282.00	272.20	284.00	272.00
Aug	280.00	268.80	287.00	
Oct	270.00	262.00	270.00	261.00
White	**Close**	**Previous**	**High/Low**	
Oct	415.00	417.00	417.00	408.50
Dec	368.00	365.00	368.00	360.00
Mar	356.80	353.50	357.00	351.00
May	355.80		352.00	349.00

Turnover: Raw 4427 (2824) lots of 50 tonnes. White 1954 (1807). Paris – White (FFr per tonne): Oct 2785, Dec 2575, Mar 2399, May 2390, Aug 2370, Oct 2320.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Oct	17.76	17.75	17.86	17.67
Nov	17.57	17.52	17.66	17.48
Dec	17.42	17.37	17.50	17.38
IPE Index	17.70	17.38		

Turnover: 7266 (11615)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Sep	168.00	168.50	167.50	165.25
Oct	165.25	165.25	164.00	161.00
Nov	161.50	161.25	163.75	160.75
Dec	161.25	161.25	163.25	160.50
Jan	159.50	159.50	160.50	159.00
Feb	159.25	158.00	158.75	158.25
Mar	152.25	152.00	154.50	152.00

Turnover 9982 (10750) lots of 100 tonnes

FRUIT AND VEGETABLES

HOMEGROWN Cox's apples are now in this week at 40-55p a lb, while supplies of Worcesters have improved, 25-40p (35-45p). Italian Italia grapes are also more plentiful, 80p-£1.00 (90p-£1.15), as are homegrown Comice pears 30-40p (35-45p). Leeks are now more widely available, 40-75p (60-80p), but the season for homegrown stick beans is drawing to a close, 70p-£1.00 (65-80p). Cabbage is 15-40p according to variety, while the prices of sweetcorn at 15-25p each, courgettes, 35-50p, and cauliflowers at 40-60p are all unchanged. Salad prices are stable with tomatoes, 30-50p, watercress at 30-40p a bunch and iceberg lettuce 50-60p.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,150 tonne
Cash	1730-5	1736-40		1720-1		
3 months	1720-2	1725-8	1730/1710	1708-10	1724-6	30,738 lots
Copper, Grade A (£ per tonne)						Ring turnover 34,550 tonne
Cash	1864-5	1861-2	1860	1849-50		
3 months	1845-6	1843-4	1848/1830	1833-4	1836-7	72,136 lots
Lead (£ per tonne)						Ring turnover 13,525 tonne
Cash	459-61	449-51	457	457-8		
3 months	451-2	445-6	454/448	451.5-2	452-3	11,305 lots
Nickel ($ per tonne)						Ring turnover 1,458 tonne
Cash	11375-400	11650-90	11400/11300	11250-300		
3 months	11100-50	11400-60	11250/11000	11100-200	11050-100	5,167 lots
Tin ($ per tonne)						Ring turnover 485 tonne
Cash	8650-80	8650-75	8650	8650-70		
3 months	8710-30	8680-730	8730/8700	8700-25	8700-10	5,483 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 8,700 tonne
Cash	1640-50	1655-65	1657	1650-1		
3 months	1620-5	1615-20	1625/1618	1618-20	1645-50	12,255 lots
Zinc ($ per tonne)						Ring turnover 6,500 tonne
Cash	1600-10	1600-5		1625-16		
3 months	1565-70	1555-60	1570	1587-8	1570-80	6,005 lots

LME Closing £/$ rate: SPOT: 1.5450 · 3 months: 1.5267q · 6 months: 1.5069 · 9 months: 1.4618

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Nov	140.0	139.5	138.5	137.0
Feb	167.0	166.0		
Apr	213.5	213.5	215.5	212.0
May	237.0	238.0	237.0	

Turnover 149 (570) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low	
Oct	140.00	136.00	140.00	
Dec	143.00	140.00	143.00	142.00

Turnover 74 (80)lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Sep	1480	1462	1482	1450
Oct	1540	1544	1545	1530
Jan	1592	1584	1590	1580
Apr	1617	1618	1617	1605
BFI	1498	1493		

Turnover 258 (97)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Sep	104.65	104.60	104.85	
Nov	107.90	107.85	107.90	107.60
Jan	111.80	111.75	111.90	111.50
Mar	114.70	114.70	114.70	114.60
May	117.60	117.50	117.50	117.40
Jun	119.10	119.10	119.10	118.95
Barley	**Close**	**Previous**	**High/Low**	
Sep	101.15	101.00	101.15	
Nov	104.60	104.60	104.70	104.50
Jan	108.55	108.45	108.65	
Mar	111.55	111.40	111.55	111.50

Turnover: Wheat 144 (294), Barley 157 (151). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Oct	125.0	123.0	124.5	123.5
Nov	128.0	123.5	125.5	125.2
Feb	117.0	115.0	117.0	116.5
Apr	116.5	115.5	116.0	115.5
Jun	114.5		114.5	

Turnover 151 (2) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	359¼-359¾	232½-233
Opening	359-359½	232¼-233¼
Morning fix	359.20	232.914
Afternoon fix	358.20	232.828
Day's high	359½-360	
Day's low	358¾-359¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	367-372	237½-240½
Britannia	367-372	237½-240½
US Eagle	367-372	237½-240½
Angel	368½-373½	238½-241½
Krugerrand	358-361	231½-233½
New Sov.	84½-85½	54½-55¼
Old Sov.	84½-85½	54½-55¼
Noble Plat	480.50-487.50	311.20-315.80
Silver fix	**p/fine oz**	**US cts equiv**
Spot	330.45	510.00
3 months	341.90	521.35
6 months	353.70	533.10
12 months	375.65	556.50

TRADED OPTIONS

Aluminium (99.7%)	Calls Nov	Calls Jan	Puts Nov	Puts Jan
Strike price $ tonne				
1600	138	123	9	24
1700	67	65	35	63
1800	24	29	91	124
Copper (Grade A)	**Calls**		**Puts**	
2700	198	161	82	137
2800	140	116	102	191
2900	95	84	155	254
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	77	102	20	45
800	47	75	40	66
850	25	54	68	971
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
750	74	73	15	46
800	43	50	34	73
850	23	35	64	108
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	80	58	28	45
1750	49	55	32	
1800	25	32		

US MARKETS

IN THE METALS, gold futures again focused on the movement of the U.S. dollar, with prices closing slightly lower after dull trading, reports Drexel Burnham Lambert. Silver and platinum were featureless. Copper was the day's most active metal as rumors of strikes in Peru rallied prices sharply. December copper gained 3.25 cents to close at 124.80. Lower Comex stocks also added to strength. In the softs, sugar advanced late in the session as news of possible overseas tender business was noted. October sugar gained 33 points for the day. Fund and trade buying supported coffee while cocoa trading was slow. The grains featured strong advances in the soyabean complex as increased commercial buying was seen. Corn and wheat trading was uneventful. The livestocks were all higher with pork bellies reaching limit-up on news of exports to Poland. Hogs and cattle gained from spillover buying. Cotton prices closed higher after very choppy activity. The energy complex remained higher. Wednesday's A.P.I. numbers provided strength.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	360.2	361.6	0	0
Oct	362.3	363.7	362.7	361.4
Nov	364.2	365.6	0	0
Dec	366.0	367.4	366.5	365.1
Feb	369.9	371.3	369.7	369.5
Apr	374.0	375.4	374.3	373.1
Jun	378.2	379.6	378.0	377.5
Aug	382.2	383.6	382.1	382.1
Oct	386.4	387.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Sep	474.0	478.3	0	0
Oct	476.5	480.6	479.0	475.0
Nov	477.5	481.9	476.0	476.0
Jan	480.7	485.0	483.0	480.1
Apr	483.2	487.7	486.0	483.5
Jul	485.9	490.5	488.0	487.5
Oct	489.4	494.0	494.0	494.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	511.7	510.3	513.0	507.5
Oct	515.0	513.7	0	0
Nov	519.4	518.1	0	0
Dec	523.3	522.0	524.5	519.0
Jan	526.5	525.2	0	0
Mar	535.2	533.8	535.0	531.5
May	543.3	541.8	0	0
Jul	551.7	550.1	550.0	550.0
Sep	560.3	558.6	557.0	557.0
Dec	572.3	570.6	571.5	571.5

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 6	Sept 5	mnth ago	yr ago
1895.9	1905.8	1895.8	1874.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.20	129.56	127.97	133.55
Futures	129.77	129.83	128.62	137.86

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	129.10	125.75	129.80	126.00
Oct	127.60	123.50	0	0
Nov	126.20	122.65	0	0
Dec	124.80	121.55	125.70	121.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	19.44	19.28	19.48	19.32
Nov	19.17	19.09	19.23	19.07
Dec	18.99	18.94	19.05	18.90
Jan	18.83	18.80	18.88	18.74
Feb	18.70	18.69	18.75	18.63
Mar	18.62	18.61	18.67	18.54
Apr	18.55	18.55	18.65	18.48
May	18.46	18.50	18.58	18.46
Jun	18.47	18.45	18.50	18.40
Jul	18.45	18.41	18.45	18.44

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	5550	5548	5590	5520
Nov	5595	5596	5630	5585
Dec	5630	5624	5655	5595
Jan	5585	5580	5605	5560
Mar	5260	5255	5300	5270
Apr	5105	5105	5110	5105
Jul	4910	4875	4910	4910

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1077	1051	1077	0
Dec	1079	1073	1092	1075
Mar	1083	1078	1094	1081
May	1095	1091	1100	1090
Sep	1136	1135	1136	1132
Jul	1117	1110	1120	1113
Dec	1166	1157	1164	1158

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	86.38	84.54	86.25	84.20
Dec	85.88	84.81	86.25	84.25
Mar	88.00	86.90	88.25	86.50
May	89.90	88.95	90.00	88.90
Jul	91.81	91.58	92.20	91.50
Sep	93.25	93.00	94.00	93.25
Dec	96.68	96.00	97.00	97.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.61	13.28	13.65	13.13
Jan	12.83	12.50	0	0
Mar	12.89	12.49	12.95	12.44
May	12.62	12.25	12.62	12.24
Jul	12.45	12.08	12.45	12.05
Oct	12.15	11.80	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	72.48	71.80	72.85	70.85
Dec	73.71	72.67	73.90	71.40
Mar	74.83	73.80	74.85	72.85
May	75.87	74.80	76.00	73.95
Jul	76.08	75.00	76.20	74.40
Oct	70.25	70.56	70.85	70.25
Dec	67.75	67.65	67.80	67.45

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	156.75	158.35	160.10	156.50
Nov	143.40	144.80	146.50	143.00
Jan	140.25	141.00	141.85	140.25
Mar	139.25	141.30	140.75	139.25
May	139.25	139.60	140.50	139.25
Jul	138.85	139.20	141.00	139.50
Sep	138.85	139.20	0	0
Nov	138.85	139.20	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	596/6	587/6	600/0	592/4
Nov	588/0	581/6	594/0	585/4
Jan	599/4	590/4	603/4	594/4
Mar	608/4	600/0	613/4	604/4
May	617/6	609/4	622/0	612/0
Jul	622/4	613/2	625/4	617/0
Aug	613/0	603/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	19.00	18.58	19.32	18.75
Oct	19.14	18.73	19.40	18.90
Dec	19.58	19.16	19.95	19.35
Jan	19.81	19.40	20.20	19.60
Mar	20.20	19.81	20.55	20.07
May	20.47	20.10	21.00	20.36
Jul	20.82	20.50	21.20	20.60

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	196.4	194.4	198.8	195.5
Oct	189.0	186.4	189.2	187.3
Dec	185.8	183.6	186.5	184.5
Jan	185.3	183.1	186.3	184.5
Mar	185.1	182.7	185.8	184.0
May	184.8	182.2	185.0	183.5
Jul	183.0	181.5	184.5	182.5
Aug	182.6	181.0	183.0	182.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	236/4	236/4	237/4	235/4
Dec	238/0	237/6	240/0	237/4
Mar	245/2	245/2	247/4	244/6
May	250/4	250/4	252/6	250/0
Jul	252/0	252/2	254/6	252/0
Sep	243/0	244/0	245/0	243/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	397/0	398/6	399/6	398/6
Dec	405/6	406/6	407/6	405/4
Mar	407/6	408/6	409/4	407/4
May	392/4	391/2	393/0	391/0
Jul	360/6	360/4	361/6	360/0
Sep	367/0	367/0	367/0	366/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	69.70	69.30	69.70	69.30
Oct	72.70	72.37	72.97	72.30
Dec	73.27	72.72	73.40	72.72
Feb	72.90	72.57	73.05	72.62
Apr	74.05	73.72	74.12	73.67
Jun	71.86	71.65	71.95	71.50
Aug	70.07	69.95	70.07	70.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	39.75	39.62	39.95	39.40
Dec	41.92	41.95	42.30	41.57
Feb	43.27	43.17	43.50	42.77
Apr	41.05	40.77	41.10	40.60
Jun	45.90	45.70	45.95	45.65
Jul	46.30	45.90	46.30	46.00
Aug	44.90	44.75	44.90	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	46.82	44.82	46.82	45.25
Mar	47.12	45.12	47.12	45.40
May	46.40	46.40	46.40	46.40
Jul	46.80	46.80	46.80	47.70
Aug	46.40	46.40	46.40	47.20

LONDON STOCK EXCHANGE

Equities rebound as confidence rallies

THE UK stock market rebounded from Wednesday's fall with somewhat astonishing vigour yesterday when its worst fears regarding domestic rights issues and Wall Street's trend proved much exaggerated. The announcement that Polly Peck sought only £280m by way of rights, rather than the rumoured £450m, was greeted with a sigh of relief in a London market already steadied by Wall Street's successful bounce overnight from a technical support level.

Confidence gathered strength as the morning passed by without rights issue calls from P & O or Eurotunnel, both featured in Wednesday's round of market tales. The absence of any adverse interest rate news from the meeting of the Bundesbank also helped London's mood.

Domestic corporate news was more favourable yesterday. Polly Peck's plan to buy Del Monte Tropical Fruits from Nabisco found a very positive reception – reflected in the highly unusual sight of a a share price rising strongly after news of a substantial rights issue.

US buyers of Polly Peck were reported, and renewed firmness in the US dollar appeared to encourage demand for leading UK equities from overseas. This return towards the bullish side of the market's balance sheet caught market makers badly short of stock again – Wednesday's shakeout inspired very little selling – and share prices forged ahead steadily. The final upward twist came when Wall Street opened the new session in sound form.

By the close, the FT-SE Index was 25.1 points up at 2,415.8, the recovery of all but ten points of Wednesday's loss bringing the most recent 1989 peak into the market's sights again.

Seaq trading volume remained relatively high at 508.9m shares against the 540.1m of the preceding, downward, session.

There were buyers for food stocks, as well as for the international blue chips. However, the Seaq total includes intermarket deals, and the squeeze on market makers' positions implied a substantial intramarket trade as securities houses scoured the market for stock.

The market comfortably absorbed the placing of further shares in Abbey National. Good interim results from Reckitt & Colman were welcomed, but Cookson's trading statement was taken coolly.

Equity strategists vied with one another to interpret yesterday's market. "Everyone seems to be looking over their shoulders," commented one experienced international dealer. While some analysts see strong institutional cash flows continuing to underpin the UK market, others warn that the market could be due for a a sharp, if short-lived, correction from present levels.

Account Dealing Dates		
First Dealings:		
Aug 14	Sep 4	Sep 18
Option Declarations:		
Aug 31	Sep 14	Sep 28
Last Dealings:		
Sep 1	Sep 15	Sep 29
Account Day:		
Sep 11	Sep 25	Oct 9

*New time dealings may take place from 9.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Sep 7	Sep 6	Sep 5	Sep 4	Sep 1	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.14	86.02	86.26	86.46	86.52	86.62	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.87	97.07	97.16	97.83	97.78	95.87	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1999.1	1978.7	2008.6	2003.6	1992.7	1402.4	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	203.8	201.2	200.8	198.6	198.8	183.5	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2415.8	2390.8	2426.0	2418.2	2407.5	1739.8	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.8 (23/7/84)
Ord. Div. Yield	3.94	3.99	3.93	3.94	3.97	4.86				
Earning Yld %(full)	9.47	9.56	9.41	9.43	9.51	12.30				
P/E Ratio(Net)(*)	12.74	12.62	12.81	12.78	12.68	9.87				
SEAQ Bargains(5pm)	25,698	27,869	28,135	28,392	32,094	17,672				
Equity Turnover(£m)†	-	1030.76	827.35	823.48	894.00	1051.59				
Equity Bargains†	-	30,118	28,270	39,932	31,901	16,681				
Shares Traded (ml)†	-	426.8	353.1	343.8	421.8	335.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 12.81

Ordinary Share Index, Hourly changes — Day's High 1999.1 — Day's Low 1984.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1984.7	1987.4	1993.6	1992.7	1994.8	1996.5	1996.5	1998.5

FT-SE, Hourly changes — Day's High 2416.1 — Day's Low 2397.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2397.6	2400.5	2408.2	2408.2	2409.7	2412.1	2412.9	2415.5

S.E. ACTIVITY

Indices	Sep 6	Sep 5
Gilt Edged Bargains	81.3	93.8
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5—Day average		
Gilt Edged Bargains	82.6	81.5
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index. Tel. 0898 123001

Welcome for Polly Peck deal

Dealers found a string of reasons for buying Polly Peck after the confirmation of a rights issue and the acquisition of Del Monte's tropical fruits business.

The value of both the issue and the purchase were lower than many in the market had feared. Analysts said that as well as securing the Del Monte business, Polly Peck would have access to a well-known brand name for its existing products. They also said that the merged entity would be trading at a p/e of less than half that of large US fruit canning operations.

Marketmakers said that Polly Peck had a short list of institutional investors and that the deal would attract new additions. They said that the merged company might be large enough for a place in the FT-SE 100 index, which would attract big orders from index funds, and spoke of a share price of more than £4. "The only bear point," said one, "is the high gearing." He predicted, nevertheless, that the shares would build up a strong premium ahead of the ex-dividend date, November 23.

The full force of bullish sentiment took a few hours to filter into the market. After opening cautiously, the shares shot ahead to close 70 ahead on the day at 369p. Turnover was 9.7m shares, far higher than normal and triggering a severe squeeze which added to upward pressure on the price.

Saatchi mystery

News that a US investor had taken a 9.4 per cent stake in Saatchi and Saatchi pushed the shares firmly ahead but left analysts and dealers little the wiser over the implications of the deal.

Analysts speculated on the origin of the shares, saying that they may have arisen from the conversion of bearer convertibles, possibly on the back of an existing stake of less than 5 per cent – so as to avoid automatic disclosure.

Ms Lorna Tilbian, at Warburg Securities, Saatchi's broker, said she thought the shares "had been bought for the long term." She said that US investors were better than their British counterparts at identifying leading stocks trading near historic lows.

Others were more suspicious of the motives for the stake building. "I can't see Americans buying the stock on fundamentals before the sale of the consultancy," said one.

"They would be mainly interested in anticipation of corporate activity such as a predatory strike." Saatchi has put its management consultancy operations up for sale.

The shares climbed to 225p before settling at 321p, up 11 on the day. Turnover was 3.2m shares.

RHM optimism

Confirmation that Ranks Hovis MacDougall had sold its stake in Goodman Fielder Wattie of Australia came after the market had closed and too late to anchor the price after a day of rises, falls and conflicting stories.

Analysts and dealers are convinced that RHM's price will rise significantly this morning. "The sale will lift a weight off RHM's shoulders," said one analyst. Not only does it mark the end of speculation over when the sale would be made, but the cost of maintaining the stake are removed. The proceeds of the sale were A$58m less than the purchase price and the total cost, including interest and brokerage charges, could be another A$20m," estimated Mr Carl Short at Kitcat and Aitken.

Ranks' shares have been volatile during the week on speculation that should Hoylake's bid for BATs fall through, the former might bid for RHM. Analysts were agreed that the sale of the Goodman stake would make RHM easier to digest. RHM closed at 462p having been as high as 465p and as low as 456p during the day.

The placing of the 29m shares in Abbey National at 143p a share was oversubscribed by at least six times, according to banking sector specialists. Abbey shares mirrored the keen demand for the stock, moving up 2 to 149½p.

A burst of demand for banking issues saw Midland responding with a 12 jump to 378p amid vague stories that Hong Kong & Shanghai Bank may be about to launch a bid for the bank, given Bank of England approval. Barclays rose 4 to 541p in good volume after switching business out of NatWest, which settled only a shade up at 348p.

The insurance market was among the best performing areas with traders talking of stock shortages throughout the sector. Royals stood out, racing up 12 to 467p on overseas support.

News that Goldman Sachs had cuts its 1989 airline earnings estimates took the shine off British Airways. The shares managed a rise of only a penny to 214p.

A stream of small buy orders after interim figures from Reckitt and Colman helped the shares firm 32p to 1233p.

Tales that Mr Larry Goodman, the Irish entrepreneur, was adding to his 9.4 per cent stake in Berisford, pushed the shares 7 better to 169p.

Cookson's interim profits rise of 12 per cent to £90m fell short of market expectations. Institutions reduced their weightings across the board. Turnover expanded to 6.4m shares as the price fell 17 to 360p making Cookson the worst performer of the day among FTSE 100 stocks.

Analysts trimmed their forecasts for full year profits, and one said: "the UK hasn't been good for them and its going to worsen – this must have implications for other companies such as ICI and in the building and castings sector." He added that the interest charge and net debt "must make people wonder whether a funding issue might be being considered, although it depends on the ambitiousness of Cookson's plans."

BAA were a nervous market in the wake of the recent resignation of the chief executive and uncertainty over the outcome of current regulatory investigations. "There is no reason to pile into them until the uncertainty eases," said a marketmaker. BAA ended unchanged at 358p.

The electronics sector included one of the market's biggest turnover stocks in Ferranti; Seaq turnover totalled 18m although this figure included a trade reporting error of 4.6m. The shares were 3½ higher at 74½p with the market said to have responded to stories that expected switching out of Plessey, after the expected GEC/Siemens victory in the current takeover battle, will focus on Ferranti. Plessey has 2.2 per cent of Ferranti.

The GEC/Siemens/Plessey battle comes to a head today when the GEC meeting to approve the Plessey deal should allow the former to move into the market to buy Plessey stock up to its 270p a share bid price. Plessey were little changed at 268p yesterday while GEC added 2 at 264½p on 5.9m.

Cable & Wireless jumped 16 to 598p ahead of the forthcoming ADS listing in the US and stories of US roadshows.

Unitech rose 10 to 368p amid speculation that the 2.8 per cent stake that changed hands last week went to Swiss entrepreneur Dr Tito Tettamanti who already has an 8.7 per cent stake.

A 60 per cent interim profits rise at Friendly Hotels pushed the shares 18 ahead to 297p.

A warning from Campari International that "the results for the year as a whole are not likely to exceed Group's record profits achieved in 1988" knocked 30 off the shares which closed at 246p.

Ladbroke advanced 10 to 349p after a recommendation by ANZ McCaughan. The securities house, formerly Capel Cure Myers, said: "We view our estimate of 20 per cent compound growth over the next five years as conservative."

A story in a US trade magazine saying that the video of Batman, now touted as likely to be the biggest grossing film in history, would be on sale by Christmas gave Carlton Communications added impetus. Carlton owns Technicolor, which numbers video duplication among its activities and which is contracted to Warner, which made Batman. One analyst said that more than 20m copies of the videocassette might be sold, each earning Technicolor between $4 and $5. "This should be worth 50p on Carlton's share price," said Mr Keith Woolcock, analyst at CIBC Grenfell & Colgrave.

Advertising agency Lowe-Howard Spink & Bell advanced to on news that Mr Tim Bell, one of its founders, is to buy out its public relations division. "The move ends uncertainty," said an analyst, "although it is earnings neutral and the disposal had been in the market for at lest 4 monthe." Lowe-Howard jumped 17 to 445p.

Confirmation that Breot Walker's financing of its acquisition of the betting shop businesses of Mecca and William Hill had been underwritten helped the shares push ahead 10 to 394p.

WPCS continued rising strongly amid speculation that Groupe Bellier of France would try to increase it 20 per cent stake in the agency's advertising division. The shares touched 376p before closing at 370p; up 21 on the day and 60 over a week.

The oil and gas area of the market showed BP up 3 at 359½p on turnover of 5.2m after the group announced the appointment of Mr Robert Horton as the new chairman of the group in succession to Sir Peter Walters. Sector specialists said the new appointments could herald a more aggressive approach by BP. In the background to the latest rise in the shares were persistent stories that a re-arrangement of the group's smaller North Sea interests would be announced next week.

Shell attracted yet another session of keen interest, much of it an extension of the recent switching business out of Royal Dutch. At the close Shell were 5½ ahead at 446p. The Shell dividend is scheduled for September 14.

Burmah's interim results drew a poor reception from the market. The shares dipped 5 to 640p on a relatively quiet turnover of only 577,000 shares. Net income of £43.5m was at the bottom end of the range although the dividend of 8p was in line with forecasts. Many of the top broking houses quickly reduced their full-year forecasts to around the £96m mark. But traders said there was little or no selling pressure in the shares.

Enterprise Oil's interim results passed with barely a tremor through the market. "No surprises here, although the interim dividend was a pleasing 5.25p, slightly above the majority of estimates," said one marketmaker. He added that the market was increasingly taking the view that the deal was good for British Gas; Gas shares edged up 1½ to 287p.

Recently buoyant LASMO became a much more nervous market, settling unchanged at 537p with traders taking a cautious line on recent stories of a big gas discovery in Pakistan.

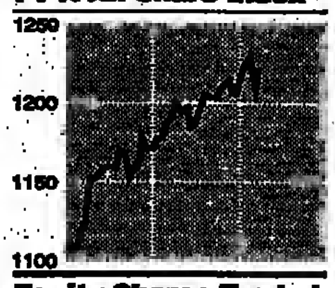
Sovereign Oil & Gas moved up 4 to 204p with the market awaiting news on the eventual home of the 6.8 per cent stake in Sovereign which Anglo United acquired when it gained control of the Coalite group. Finnish group Neste Oy has a 29.9 per cent stake in Sovereign, bought in recent months from Home Oil and Hambros Bank. Other shareholders in Sovereign include Norwich Union, with 6.7 per cent, Sun Alliance, with 7.3 per cent and Guardian Royal with 13.5 per cent.

Pavilion Leisure slipped 3 to 127p despite news that the company, the latest vehicle for ex-Pleasurama boss George Martin turned from losses to profits in the first half without any inclusion of recent acquisition Parkdala. Parkdale's figures for the first six months to June more than doubled to over £4m.

Shares in DRG, the paper products group, shot up 15 to 594p as the market got wind of stories that the near 24 per cent stake in the group built over the past year or so by Pembridge, had been sold on to another potential predator. Talk in the market suggested that Jefferson Smurfit, the Irish group, may well have been the buyer of the stock, although there was no official confirmation of the stories.

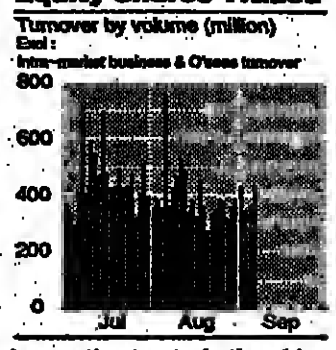
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 24

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excl: Intra-market business & O'seas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (131).

AMERICANS (2) CANADIANS (2) BANKS (2) BREWERS (3) BUILDINGS (3) CHEMICALS (1) STORES (1) ELECTRICALS (10) ENGINEERING (3) FOODS (5) HOTELS (2) INDUSTRIALS (11) Amer. Bus. Systems, Brompton, Macarthy, Photo-Me, Ricardo, Sthn. Bus. Grp., TSL Range, Tomkins, Do. 6¼pc Cm., Pf., Do. 5.5pc Pf., Whitecroft, INSURANCE (2) LEISURE (5) MOTORS (2) NEWSPAPERS (1) PAPERS (4) PROPERTY (8) SOUTH AFRICANS (2) TEXTILES (1) TRANSPORT (2) TRUSTS (39) OILS (6) OVERSEAS TRADERS (3) MINES (14) THIRD MARKET (2).

NEW LOWS (29).

BUILDINGS (3) CHEMICALS (1) STORES (1) ELECTRICALS (4) FOODS (1) INDUSTRIALS (6) BLP, Delaney, Pergamon AGB, Do. '86., Coolant, Utd. Guarantee, INSURANCE (1) LEISURE (2) MOTORS (2) PAPERS (2) PROPERTY (4) TEXTILES (1) MINES (1).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	5,500	202	+3½	Cookson	6,300	360	-16½	Legal & General	594	372	+3	Royal Insurance	1,200	467	+12
Abbey National	3,700	149½	+2	Courtaulds	449	396	+4	Lloyds Bank	700	413	+6	STC	1,100	370	+5
Allied-Lyons	3,000	571	+12	Dalgety	1,100	429	+5	LASMO	415	537		Saatchi & Saatchi	3,200	321	+11
Amstrad	4,300	79	+4	Dixons	1,000	166	+2	Lonrho	2,500	307		Sainsbury	675	286	+3
Argyll Group	2,300	255	+6	Eng. China Clays	431	469	+3	Lucas	640	676	+9	Scott & Newcastle	1,300	381	+5
Am. Brit. Foods	365	405	+7	Enterprise Oil	891	604	+1	MB Group	2,900	223	+11	Sears	3,500	129	
BAA	1,000	358		FKI	4,800	103½	-2½	MEPC	867	599	+2	Shell Transport	3,000	446	+5½
BAT Inds.	731	816	+6	Fisons	400	352	+7	Marks & Spencer	1,300	221	+2	Siebe	80	560	+4
BET	687	305	+3	General Accident	462	1059½	+21½	Maxwell Comm.	1,500	193	+7	Slough Ests	1,200	371	+4
BICC	386	550	+4	General Elect.	5,900	264½	+2	Midland Bank	2,400	378	+12	Smith & Nephew	1,475	137	
BOC	435	533	+3½	Glaxo	767	1609	+11	Nat. West. Bank	2,400	348	+1	SmithKline Beecham	2,600	613	+3
BPB Inds.	352	243		Globe Inv.	228	200½	+2½	Next	311	137	+1	Smiths Industries	212	315	+7
BTR	1,800	476	+2	Glynwed Int.	1,100	311		Northern Foods	119	362	+2	Standard Chartered	276	535	+2
Barclays	2,700	541	+4	Granada	962	356	+3	Pearl	188	509	+6	Storehouse	2,500	145	+2
Bass	650	1113	+7	Grand Met.	2,800	641	+7	Pearson	188	771	+2	Sun Alliance	2,200	314	+7
Blue Circle	559	243		GUS A	289	1168	+4	P & O	1,100	688	+3	T&N	2,400	278	+½
Boots	1,200	307	+2	GRE	1,400	223	+5½	Pilkington	467	259	-1	TSB	3,800	115	+2
Brit. & Comm.	221	166	+2	GKN	668	460	-1	Plessey	227	268	+¼	Tarmac	2,800	293	-3
Brit. Aerospace	222	700	+3	Guinness	669	604	+6	Polly Peck Intl.	9,700	369	+70	Tate & Lyle	195	287	+4
British Airways	5,800	214	+1	Hammerson 'A'	509	796	+5	Prudential	1,167	213	+3½	Taylor Woodrow	75	293	+1
British Gas	4,300	287	+1½	Hanson	4,700	233¼	+1½	RHM	1,000	462	+5	Tesco	1,600	211½	+3½
British Land	270	396		Harrisons & Cros.	174	175		RMC	190	707	-1	THORN EMI	2,200	885	+18
BP	5,200	359½	+3	Hawker Siddeley	380	770		RTZ	1,700	587	+8	Trafalgar House	1,300	392	+4
British Steel	4,000	77½	+1	Hillsdown Hldgs.	3,100	311	+6	Racal	5,200	298	+10	Trusthouse Forte	2,400	349	+13
British Telecom	4,650	273	+4½	IMI	747	252		Rank Org.	416	926	+10	Ultramar	1,100	350½	-½
Burmah Oil	577	648	-5	Imp. Chem.	1,100	1306	+7	Reckitt & Colman	683	1233	+32	Unilever	342	662	
Burton	336	261	+1	Inchcape	390	301		Redland	497	567	+2	United Biscuits	1,300	403	+7
Cable & Wireless	2,100	598	+16	Jaguar	421	417	+9	Reed International	993	446	+5	Utd. Newspapers	344	495	+5
Cadbury Schweppes	2,100	402	+8	Kingfisher	199	335	+3	Reuters	243	973	+4	Wellcome	352	718	+4
Carlton Comms.	914	932	+28	Ladbroke	1,300	349	+10	Rolls Royce	2,600	198¼	+3	Whitbread 'A'	389	403	+9
Commercial Union	1,300	431	+10	Land Securities	753	600	+2	Rothmans	470	661	+13	Williams Hldgs.	1,275	275	+9½
Cons. Gold Fields	45	1480		Laporte	73	514	+6	Royal Bk of Scotland	180	180	+1	Wimpey	303	273	+4

APPOINTMENTS

Reorganisation at Grant Thornton

■ As part of a radical reorganisation GRANT THORNTON has appointed seven partners to the newly created post of regional managing partner.

The firm's network of 48 offices throughout the UK has been divided into distinct geographical areas, each with a regional managing partner at the helm.

The new regional managing partners are: Mr Tony Agnew, Southern, Mr Clive Bennett, Central, Mr Leslie Duncan, Scottish, Mr David Fisher, London, Mr Robert Hayton, North West and North East region, Mr Graham Rees, SouthWest, and Mr Simon Schanchieff, East Midlands.

■ Mr Mike Cooper-Mitchell has been appointed deputy chairman of SEDGWICK UK (NATIONAL) and will be returning to London to take up his new post. He was previously managing director of Sedgwick's northern region. He is succeeded by Mr David Connor who was previously managing director at Willis Wrightson.

■ OPTICAL AND MEDICAL INTERNATIONAL has appointed Mr Gilbert D. Williams to the board as its chief operating officer. He was president and general manager of a division of General Instrument Corporation.

Mr William J. Gordon *(above)*, director of UK corporate services, Barclays Bank, has been made a non-executive director of MERCANTILE GROUP.

■ Mr P.J. Luff has been appointed a director of ST MODWEN DEVELOPMENTS, the development subsidiary of St Modwen Properties.

■ At GRAIG FESTER GROUP Mr Frank H. Hitchman will become group board secretary and deputy group finance director on September 13. He has been with the Sedgwick Group since 1979 and recently was director of corporate services of the E.W. Payne companies.

■ PRUDENTIAL VENTURE MANAGERS has made the following appointments: Mr Martin Clarke, Mr Jonathan Morgan, Mr Gus Guest and Mr Nigel McConnell become investment directors and Ms Carol Kennedy associate investment director.

■ Mr Brian Ward Lilley has become the first director general of the INSTITUTE OF PERSONNEL MANAGEMENT. He was an assistant director with Barclays Bank.

■ Dr Christopher Hinde, joint editor of THE MINING JOURNAL, has been made a director.

■ Mr Cameron Brown has joined JOHN CHARCOL HOLDINGS as a director. He was founder director and previous chief executive of Abaco Investments.

■ Mr Jeffrey Cooper is appointed a group head at MIDLAND MONTAGU CORPORATE BANKING with responsibility for financial institutions and oil, energy and natural resources. He was head of financial institutions.

Mr Michael Firth becomes a group head, responsible for engineering, electronics, motors, chemicals and pharmaceuticals. He was head of engineering and electronics.

Mr David Jessup is made a group head, responsible for retailers, utilities and diversified industries. He was head of retailers.

Mr Robert Keen is named a group head, responsible for media, communications, leisure and related services. He was a corporate banking director.

Mr Colin Kirkby is to be a group head, responsible for property, construction, aerospace and shipping. He was head of development, construction and property finance.

Mr Neil Hockaday is appointed chief operating officer for Midland Montagu Corporate Banking. He was a corporate banking director.

■ The ENGLISH NATIONAL OPERA is appointing Mr John Nickson as director of development on November 6. He was director of information at the British Council.

TRIPLEX LLOYD has appointed Mr Arvind Paranjpe *(above)* a main board director. He joined the company in November 1988 to launch the group's North American venture.

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
America Income	6	57.96	58.55xd	62.29	-0.06	4.40
Gilts & Fixed Int	6	109.70	109.70	116.30	+0.2	8.60
High Int. Equity	6	141.90	144.4xd	153.7	-0.0	4.13
Worldwide Bond	6	204.9	204.9xd	217.1	+0.5	4.88
Capital Growth						
American Growth	6	206.3	208.5	221.9	-0.9	0.66
Asian Pacific	6	115.3	117.5	125.10	-0.1	1.04
Assets & Earnings	6	167.7	167.7	179.4	-1.0	2.06
Capital Reserve Acc	0	86.86	86.86	86.96	-0.03	4.60
Comdty & Energy	6	116.50	120.0	127.7	+0.1	1.49
1992 Enterprise	6	61.46	62.66xd	66.66	-0.2	1.92
European Capital	6	95.53	96.25	102.90	+0.4	0.73
General	6	188.30	188.30xd	201.4	-1.5	2.48
International	6	54.97	55.85	59.42	-0.08	0.84
Japan	6	115.2	117.0	124.5	-0.3	0.00
Mastertrust	6	93.06	93.06	99.53	-0.15	1.71
UK Growth Acc	6	208.7	208.7	223.1	-0.7	1.25
UK Growth Dist	6	139.3	139.3	149.0	-0.5	1.88
US Emerging Cos	6	55.98	56.98	59.88	-0.06	0.00
Income & Growth	6	322.70	329.00	350.1	-2.0	2.93
Ethical	6	51.31	52.66	56.02	-0.19	1.79
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	35.00	35.00	37.37	-0.09	2.80
European	5¼	73.75	73.85	78.84	-0.05	0.00
European Income	5¼	67.78	67.78xd	72.35	-0.21	2.67
Exempt	1	856.3	856.3	890.5	-2.70	1.83
Extra Income	5¼	46.51	46.51xd	49.66	-0.27	6.30
F East Emrg Econs	5¼	58.89	58.89	61.07	-0.04	0.42
Fund Inv Tst	5	136.2	136.2	145.4	-0.30	1.98
Do Accum	5	212.1	212.1	226.5	-0.50	1.99
Gilt & Fixed Int	5¼	21.17	21.83xd	23.31	-0.02	10.41
Income & Growth	5¼	78.35	78.35	83.64	-0.39	3.64
Intl Income	5¼	68.93	68.93xd	73.58	-0.23	4.70
Japan	5¼	197.4	197.4xd	210.8	-0.30	0.00
Pacific	5¼	423.6	423.6	453.7	-0.70	0.42
Secure Income	5	211.4	211.4	225.7	-0.70	5.48
Smaller Companies	5¼	64.10	64.10xd	68.43	-0.08	1.99

[illegible]

GUIDE TO UNIT TRUST PRICING

[illegible]

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OTHER UK UNIT TRUSTS

INSURANCES

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

	Bid Price	Offer Price	+ or –	Yield Gross
Managed Inv Tst Fd	63.0	67.0	—	—
Risk & Reward Bond	190.0	200.0	+1.0	—
Guaranteed Cash Fd	132.0	139.0	—	—
Global Growth Fd	131.0	138.0	—	—
Special Sits Fd	96.0	102.0	—	—
UK Blue Chip Fd	125.0	132.0	—	—
Far Eastern	51.0	54.0	—	—
Ivory & Sime Pens Fd	134.0	142.0	—	—
Risk & Reward Pens Fd	196.0	207.8	—	—
Murray J'Stone Pens Fd	184.0	194.0	—	—
Inv Strategy Pens Fd	153.0	162.9	+1.0	—
Predator Pens Fd	139.0	147.0	—	—

City of Westminster Assurance (z)
PO Box 469, 500 Avebury Blvd, Milton Keynes MK9 2NU
Current Series

	Bid Price	Offer Price	+ or –	Yield Gross
Property Fund	193.9	204.2	—	—
Secure Gwth Fund	270.8	285.1	+0.1	—
Managed Fund	541.3	569.8	–3.7	—
Equity Fund	420.8	443.0	–4.7	—
Fixed Interest Fund	169.2	178.2	–0.2	—
Far East Fund	373.7	393.4	–1.4	—
North American Fund	185.4	195.2	–2.3	—
Natural Resources Fund	247.8	260.9	–0.8	—
Pension Managed Fund	577.9	608.4	–4.4	—
Pension Equity Fund	484.3	509.8	–4.6	—
Pensions Fixed Int	178.8	188.3	+0.1	—
Pensions European	146.0	153.7	–1.7	—
Pensions Intl	151.6	159.6	–2.0	—
Pens Adventurous Mgd	199.5	210.0	–1.4	—
Pension Balanced Mgd	188.2	198.0	–1.3	—
Pens Conservative Mgd	172.7	181.8	–0.8	—
Adventurous Mngd Fd	233.1	245.4	–1.3	—
Balanced Mngd Fd	213.6	224.9	–1.1	—
Conservative Mngd Fd	205.0	215.8	–0.9	—
European Fund	147.5	155.3	–1.4	—
International Fund	191.5	201.6	–2.3	—

For other prices please telephone 0908 690888

Continued on next page

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Premium Life Assurance Co Ltd
37-39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	134 0	142 0	+2 0	–
Building Soc. Fd	174 0	184 0		–
Balanced	294 0	310 0	+1 0	–
European	192 0	203 0	...	–
GT Managed	192 0	203 0	...	–
Gartmore Mngd	129 0	136 0	...	–
German	138 0	146 0	+2 0	–
Gilt	184.0	194 0	+1 0	–
Global	50 0	53 0		–
High Inc	121 0	128 0	..	–
International Equity	206 0	217 0		–
Japan	263 0	277 0	-1.0	–
Managed	64.0	68 0		–
Property	291 0	307 0	–	–
R. W. Imperial Gold	153 d	162 d		–
UK Equity	368 0	388 0		–
Pension Funds				
American	156 0	165 0		–
Building Soc. Fd	175.0	185 0		–
Balanced	226 0	238.0	..	–
European	190 0	200 0		–
German	119 0	126 0	..	–
Gilt	158 0	167.0	...	–
International Equity	148 0	156 0	...	–
Japan	144 0	152 d		–
Managed	68 0	72.0	...	–
Property	223.0	235.0	..	–
UK Equity	337 0	355 0	..	–

Professional Life Assurance Co Ltd
Frobisher Hse Nelson Gate Southampton 0703 232323

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Managed Fund	98 66	104.37	-0 04	–
Pensions Cash Fund	79.59	81 78	-0 04	–

Prolific Life & Pensions Ltd
Stramongate, Kendall Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	635 1	669.3	-0 9	–
Adventurous Mngd	137 8	145 3	-0.2	–
Secure Mngd	115 0	121.2	+0 7	–
Cash Fd	237 2	250.0	...	–
Property Fund	292 9	311.7		–
Equity Fund	724 3	763.3	-1 1	–
Fxd Int. Fund	304 5	320 9	-0.5	–
International	330 3	351 7	-0 8	–
High Income	491 5	522 9	-0.5	–
Far East	437.9	465 9	+3 3	–
North American	309 7	326 4	-0.8	–
Special Sits	668.5	711 2	-1 0	–
Technology	264.2	281 1	+0.5	–
Extra Inc Fd	300 0	319 2	-0.3	–
Convertible & Gilt Fd.	160 2	170.7	-0 4	–
American Income	144 5	152.3	-0 1	–
Gilt Fund 20	303 7	323 1	-0 3	–
European Fund	112 2	118.3	-0.3	–
Pref & Fixed Int	103 9	110.6	+2.1	–
Pension Funds				
Balncd Gth Mngd Pens Acc.	609.d	641 5	-0 4	–
Adventurous Mngd Pens Acc.	133.9	141 0	-0.3	–
Secure Mngd Pens Acc.	114.2	120.3	+0 8	–
Building Soc. Acc.	248 2	261.3	...	–
Property Pens Acc.	299 7	315.5		–
Fix. Int Pens Acc.	425 9	448 4	+0.1	–
Equity Pens Acc.	813.3	856 2	-0 9	–
International Pens Acc.	308.7	325 0	-0 7	–

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	605 0	636 9	-0.3	–
Equity	882.4	928 9	-1.7	–
Global Equity	264 1	278 0	+0.4	–
Fixed Interest	413 3	435 1	+0.7	–
Property	403 4	424.7	.....	–
Cash	160 7	169.2	...	–
Index Linked Gilt	204 0	214.8	+0.2	–
Guaranteed	12 56		.....	–
International Money	206 5	217.4	-0.5	–
North American	85 9	90.5	-0 n	–
Japanese	149 1	157 0	-0.1	–
European	107.2	112.9	.....	–
Special Situations	124 4	131.0	-0.2	–
Communications	114 2	120.3	+0.3	–
Smaller Companies	117.2	123 4	.....	–
International Small Cos.	149 0	156 9	+0 6	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Sept 6	£168 90	174 83	+2 43	–
Equity Sept 6	£186 70	193 70	+2.66	–
International Sept 6	£28 92	29 83	+0 73	–
Intl Bond Sept 6	£12.87	13.04	-0.26	–
Fixed Int Sept 6	£72.19	74 97	-0 42	–
Index Linked Sept 6	£63 53	64.32	-0.39	–
Property Sept 6	£114 08	120.86	-0 23	–
Cash Sept 6	£21.5194	21.5194	-0.0541	–
Pre-Linked Retirement Plan				
Managed Sept 5	402.7	428 5	...	–
Cash Sept 5	201.9	210.5	...	–
Prudential Pension Investment Account				
Pens Mngd Sept 7	165.1	177.5		–
Pens UK Eq Sept 7	319 5	344 7	+0 6	–
Pens Intl Sept 7	198 4	213.6	-0 8	–
Pens Fixed Sept 7	169 8	179 3	..	–
Pens Index Lk Sept 7	161.4	170.6	-0 8	–
Pens Cash Sept 7	131 9	138 9	.....	–

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	125.d	131.9	-0.3	–
Balanced Ptflio Fd	328.6	345 8	-1.8	–
Cautious Ptflio Fd	124.6	131.1	-0 2	–
Elite Fund	119 d	125 6	+1.2	–
European Fund	94.6	99.50	-0 5	–
Far East Fund	109.0	110 7	-0 8	–
Fixed Interest Fund	244.1	256 9	-0 2	–
International Fund	290 8	306 1	-1.3	–
Money Fund	179 7	189.1	+0.1	–
N. American Fd	128.5	135 2	-0 9	–
Property Fund	422.1	444.3	-1.7	–
UK Equity Fd	406.1	427.4	-1 8	–
A.J.M. Brewin Dlphn Fd	100.4	105 7	...	–
Swiss Select Invs	116 6	122.7	-0.7	–
Chart Safety First Bd	109 8	115 6	-0.3	–
Exec Master Fd	103 6	109.1	-0.5	–
Hardwick Growth Fd	111 4	117.3	+0 1	–
Bentley Hang LR Port.	108 7	114 4	–	–
Milbourne Spec Port.	123.4	129 9	+1.6	–
Swim Global Fd.	119 0	125 3	...	–
Hardwick 7st Fd	72.6	76 4	..	–

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

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ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	.....	–	–
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	[illegible]	10.36
99½	[illegible]	Exch 10¼pcCv '89	[illegible]	.....	[illegible]	12.53
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	[illegible]	12.87
[illegible]	124	Treas 2pc IL '90(84.6)	[illegible]	[illegible]	[illegible]	9.98
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	.....	[illegible]	12.78
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	.....	[illegible]	13.22
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	.....	[illegible]	9.875
97¼	[illegible]	Treas 8¼pc 1987-90‡‡	97¼	[illegible]	[illegible]	11.80
[illegible]	95¼	Treas. 8pc Cv 1990 ‡‡	[illegible]	.....	[illegible]	11.89
[illegible]	[illegible]	Treas 10pcCv 1990	[illegible]	[illegible]	[illegible]	12.49
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	[illegible]	8.67
[illegible]	[illegible]	Treas 11¼pc 1991	[illegible]	[illegible]	11.82	12.13
93¼	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.17	10.58
[illegible]	[illegible]	Treas 3pc 1991	[illegible]	[illegible]	3.32	9.37
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	+¼	10.30	11.80
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	11.15	11.71
[illegible]	[illegible]	Treas. 8pc 1991	93	[illegible]	8.61	11.61
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.38	11.23
99½	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.29	11.31
[illegible]	91	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.63	11.30
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.68	11.21
[illegible]	82¼	Treas. 3pc 1992	[illegible]	[illegible]	3.53	9.28
[illegible]	101¼	Exch. 12¼pc '92	[illegible]	[illegible]	11.93	11.15
109¼	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	12.71	11.04
[illegible]	[illegible]	Treas 8¼pc 1993	[illegible]	[illegible]	8.93	10.92
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.24	10.80
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	11.85	10.77
[illegible]	84¼	Funding 6pc 1993‡‡	[illegible]	[illegible]	6.89	9.96
[illegible]	108¼	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.50	10.69
[illegible]	89¼	Treas 8½pc 1994	[illegible]	[illegible]	9.23	10.07
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	+¼	12.74	10.55
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	+¼	12.29	10.73
[illegible]	[illegible]	Treas. 10pc Ln 1994‡‡	[illegible]	+¼	10.22	10.57
110¼	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	11.72	10.71

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

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AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

هكذا امنة الأصل

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ▼ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ‡ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	96	...
Craig & Rose £1 ... γ	830	...
Finlay Pkg. 5p ... γ	88	+2
Holt (Jos) 25p ... γ	1348	+5

IRISH

Cap. 8½% Ln 1991 γ	£97½	...
9pc Cap Ln. 1996 γ	£99¼	+½
Fin. 13% 97/02 ... γ	£119	...
Arnotts ... γ	420	...
Carrol (P J.) ... γ	155	...
Hall (R & H.) ... γ	170	...
Helton Hldgs ... γ	92xd	...
Irish Ropes ... γ	212	...
United Drug ... γ	145	...

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons ... γ	38
Amstrad ... γ	11
BAT ... γ	00
BOC Grp ... γ	42
BSR ... γ	6½
BTR ... γ	32
Barclays ... γ	42
Blue Circle ... γ	24
Boots ... γ	25
Bowaters ... γ	44
Brit Aerospace ... γ	52
British Steel ... γ	7½
Brit. Telecom ... γ	21
Burton Ord ... γ	18
Cadburys ... γ	46
Charter Cons ... γ	48
Comm Union ... γ	12
Courtaulds ... γ	30
FKI ... γ	14
FNFC ... γ	22
Gen Accident ... γ	85
GEC ... γ	20
Glaxo ... γ	110
Grand Met ... γ	48
GUS 'A' ... γ	90
Guardian ... γ	38
GKN ... γ	34
Hanson ... γ	16
Hawker Sidd ... γ	60
ICI ... γ	100
Jaguar ... γ	28
Ladbroke ... γ	28
Legal & Gen ... γ	26
Lex Service ... γ	33
Lloyds Bank ... γ	20
Lucas Inds ... γ	58
Marks & Spencer ... γ	15
Midland Bk ... γ	30
Morgan Grenfell ... γ	24
Nat West Bk ... γ	25
P & O Dfd ... γ	55
Plessey ... γ	22
Polly Peck ... γ	26
Racal Elect ... γ	28
RHM ... γ	42
Rank Org Ord ... γ	80
Reed Intnl ... γ	34
STC ... γ	32
Sears ... γ	10
Smithkline Bchm A ... γ	50
TI ... γ	38
TSB ... γ	10
Tesco ... γ	14
Thorn EMI ... γ	58
Trust Houses ... γ	24
T&N ... γ	10
Unilever ... γ	46
Vickers ... γ	10
Wellcome ... γ	42

Property

	p
Brit Land ... γ	32
Land Securities ... γ	52
MEPC ... γ	50
Randsworth ... γ	28

Oils

	p
Brit Petroleum ... γ	21
Burmah Oil ... γ	50
Calor ... γ	55
Charterhall ... γ	2¼
Premier ... γ	9
Shell ... γ	32
Ultramar ... γ	26

Mines

	p
Cons Gold ... γ	150
Lonrho ... γ	30
RTZ ... γ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks intervene again

THE DOLLAR spent a choppy day yesterday, opening on a firmer note despite earlier intervention by the Bank of Japan in Tokyo, but failing to make any headway after that. Early trading was dominated by concern that West German interest rates might be increased at the fortnightly meeting of the Bundesbank central council. But as the morning wore on, it became apparent that the consensus of opinion had drifted towards rates staying the same. Most analysts are looking for a rise in German rates before the year-end but regarded a move yesterday as being a little premature.

Confirmation of an unchanged stance pushed the dollar even higher initially but also encouraged some profit taking. Nevertheless, its bullish undertone worked through once again and was only challenged after intervention by the US Federal Reserve and 12 other central banks.

The intervention was made very obvious by the central banks and probably reflected concern in the US administration about the dollar's recent appreciation. There was always a chance that the central banks might try and catch the market off guard, but selling dollars in a bull market can sometimes have a worse effect than abstaining, simply because it provides the dollar bulls with an opportunity to buy dollars at a lower rate.

The dollar closed at DM1.9850 from DM1.9750 and Y146.90 against Y146.30. Elsewhere, it finished at SFr1.7125 from SFr1.7040 and FFr6.6950 compared with FFr6.6325. On Bank of England figures, the dollar's exchange rate index rose to 72.6 from 72.3.

Sterling managed to finish on a steadier note yesterday; its exchange rate index was quoted at 90.9 at the close up from 90.7 at the opening but unchanged from Wednesday's close. Much of the day was spent mirroring the performance of the dollar; there was very little else to affect trading. The pound is more likely to show a greater movement next week with the release of several important economic figures. For the time being investors seem happy to mark time, and while the pound lost ground to the stronger dollar, it was mostly firmer elsewhere. Against the dollar, it slipped to $1.5460 from $1.5525 but improved in D-Mark terms to DM3.0675 from DM3.0650.

The D-Mark lost ground against the French franc, closing at FFr3.3675 compared with FFr3.3700 on Wednesday. The softer tone reflected disappointment that West German rates had not been increased. The French franc thus maintains an unchanged advantage in its interest rate differential over D-Mark denominated investments. A decision by Mr Pierre Beregovoy, French Finance Minister, to revise his 1989 trade deficit forecast upwards to FFr40-45bn against a previous estimate of FFr35bn, appeared to have little initial effect.

£ IN NEW YORK

Sep.7	Latest	Previous Close
£ Spot	1.5485-1.5495	1.5505-1.5515
1 month	0.68-0.62pm	0.68-0.66pm
3 months	1.88-1.85pm	1.88-1.85pm
12 months	6.50-6.40pm	6.55-6.45pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.7	Previous
8.30 am	90.7	90.7
9.00 am	90.8	90.8
10.00 am	90.8	90.8
11.00 am	90.7	90.8
Noon	90.8	90.8
1.00 pm	91.0	90.8
2.00 pm	90.9	90.8
3.00 pm	90.8	90.9
4.00 pm	90.9	90.9

CURRENCY RATES

Sep.7	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.25137	1.47928
U.S Dollar	7	1.23760	1.04375
Canadian $	12.36	1.46062	1.23601
Austrian Sch.	5	17.2398	14.6229
Belgian Franc	7.75	51.2088	43.5034
Danish Krone	9½	9.50477	8.06504
Deutsche Mark	5.00	2.44859	2.07716
Neth. Guilder	6.00	2.76047	2.34092
French Franc	9½	8.25108	6.99781
Italian Lira	13½	1754.63	1489.32
Japanese Yen	3¼	181.865	153.556
Norway Krone	8	8.90948	7.55256
Spanish Peseta	-	152.688	129.529
Swedish Krona	9½	8.24984	6.98998
Swiss Franc	5.5	2.11196	1.79368
Greek Drach.	20½	210.819	178.794
Irish Punt	-	N/A	0.778161

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Sep.6

CURRENCY MOVEMENTS

Sep.7	Bank of England Index	Morgan Guaranty Changes %
Sterling	90.9	-20.1
U.S Dollar	72.6	-5.6
Canadian Dollar	105.2	+1.6
Austrian Schilling	106.1	+9.4
Belgian Franc	105.6	-6.2
Danish Krone	102.9	-1.8
Deutsche Mark	112.1	+19.6
Swiss Franc	106.6	+15.8
Guilder	109.8	+12.9
French Franc	99.5	-15.4
Lira	99.4	-18.6
Yen	136.5	+65.7

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Sep.6.

OTHER CURRENCIES

Sep.7	£	$
Argentina	1002.30 - 1010.65	650.00 - 655.00
Australia	2.0270 - 2.0295	1.3130 - 1.3140
Brazil	4.3005 - 4.3235	2.7890 - 2.7920
Finland	6.9075 - 6.9195	4.4780 - 4.4900
Greece	261.60 - 266.10	169.75 - 172.45
Hong Kong	12.0440 - 12.0565	7.8000 - 7.8100
Iran	126.30*	73.30*
Korea(Sth)	1036.35 - 1044.70	667.30 - 672.70
Kuwait	0.4530 - 0.4650	0.30080 - 0.30155
Luxembourg	64.10 - 64.20	41.45 - 41.55
Malaysia	4.1600 - 4.1780	2.7020 - 2.7040
Mexico	3947.40 - 3960.90	2560.00 - 2567.00
N. Zealand	2.6200 - 2.6260	1.6965 - 1.6995
Saudi Ar.	5.7825 - 5.7880	3.7500 - 3.7510
Singapore	3.0535 - 3.0565	1.9790 - 1.9810
S. Af (Cm)	4.3275 - 4.3390	2.8070 - 2.8100
S. Af (Fn)	6.0735 - 6.1955	3.9370 - 4.0150
Taiwan	39.65 - 39.75	25.65 - 25.75
U.A.E.	5.6620 - 5.6675	3.6720 - 3.6730

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4382	+2.31	+1.11	±1.5424
Danish Krone	7.85212	8.06504	+2.71	+1.51	±1.6419
German D-Mark	2.05853	2.07716	+0.91	-0.29	±1.1019
French Franc	6.90403	6.99781	+1.36	+0.16	±1.3719
Dutch Guilder	2.31943	2.34092	+0.93	-0.27	±1.5019
Irish Punt	0.768411	0.778161	+1.27	+0.07	±1.6689
Italian Lira	1483.58	1489.32	+0.39	-0.21	±4.0815
Spanish Peseta	133.804	129.529	-3.19	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Sep.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5410 - 1.5465	1.5455 - 1.5465	0.63-0.60cpm	4.77	1.86-1.81pm	4.75
Canada	1.8205 - 1.8315	1.8305 - 1.8315	0.30-0.25cpm	1.81	0.57-0.51pm	1.18
Netherlands	3.45¼ - 3.46¼	3.45¼ - 3.46¼	2-1⅞pm	6.72	5½-5¼pm	6.14
Belgium	64.00 - 64.30	64.10 - 64.20	33-31cpm	5.98	87-83pm	5.29
Denmark	11.88¼ - 11.92¼	11.91 - 11.92	5½-4⅞orepm	5.03	13¼-12¼pm	4.38
Ireland	1.1465 - 1.1520	1.1495 - 1.1505	0.45-0.40cpm	4.43	1.10-1.00pm	3.65
W. Germany	3.06 - 3.07¼	3.06¼ - 3.07¼	1⅞-1¾pfpm	7.08	5-4⅞pm	6.43
Portugal	255.20 - 256.55	255.55 - 256.5[illegible]	24-6cpm	0.70	12-29dis	-0.32
Spain	190.00 - 191.90	190.10 - 190.[illegible]	14-30cdis	-1.39	27-45dis	-0.76
Italy	2196½ - 2201½	2199½ - 220[illegible]	4-3lirepm	1.91	11-8pm	1.73
Norway	11.13¾ - 11.17½	11.16 - 11.1[illegible]	3½-2¾orepm	3.15	8¼-7¼pm	2.86
France	10.32¼ - 10.35¼	10.33 - 10.34	4½-4¼cpm	5.00	11¾-11½pm	4.54
Sweden	10.30½ - 10.36¼	10.35 - 10.36	2¼-2¼orepm	2.54	6¼-5⅝pm	2.27
Japan	226½ - 227½	226½ - 227½	1¼-1⅛ypm	0.92	4¾-4⅝pm	8.26
Austria	21.55 - 21.65	21.61 - 21.64	12½-11⅞gropm	6.69	26¼-25¾pm	4.82
Switzerland	2.64 - 2.65¼	2.64¼ - 2.65¼	1½-1¼cpm	6.51	4½-4pm	6.13
ECU	1.4760 - 1.4795	1.4770 - 1.4780	0.54-0.51cpm	4.26	1.50-1.45pm	3.99

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.25-64.35 Six-month forward dollar 3.64-3.59cpm 12 months 6.50-6.40cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sep.7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5410 - 1.5465	1.5455 - 1.5465	0.63-0.60cpm	4.77	1.86-1.81pm	4.75
Ireland†	1.3400 - 1.3440	1.3420 - 1.3430	0.11-0.06cpm	0.76	0.44-0.34pm	1.16
Canada	1.1790 - 1.1860	1.1835 - 1.1845	0.29-0.32cdis	-3.09	0.90-0.95dis	-3.13
Netherlands	2.2360 - 2.2460	2.2360 - 2.2370	0.28-0.26cpm	1.44	0.76-0.72pm	1.32
Belgium	41.25 - 41.70	41.45 - 41.55	3.00-1.50cpm	0.65	6.50-3.50pm	0.48
Denmark	7.69¾ - 7.74	7.70½ - 7.71	0.10-0.30oredis	-0.31	0.90-1.30dis	-0.30
W. Germany	1.9820 - 1.9930	1.9845 - 1.9856	0.29-0.27pfpm	1.69	0.82-0.78pm	1.61
Portugal	165.65 - 167.05	165.65 - 165.75	55-65cdis	-4.31	195-220dis	-4.97
Spain	123.75 - 124.25	123.90 - 124.00	60-70cdis	-6.29	170-180dis	-5.65
Italy	1421½ - 1428½	1422½ - 1423½	3.20-3.70liredis	-2.90	11.10-12.10dis	-3.26
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	6.68¼ - 6.71½	6.68¾ - 6.68¾	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	1.7115 - 1.7285	1.7120 - 1.7130	[illegible]	[illegible]	[illegible]	[illegible]
ECU	1.0445 - 1.0450	1.0445 - 1.0450	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.50-41.60.

EURO-CURRENCY INTEREST RATES

Sep.7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9¼-8⅞ per cent; three years 9¼-8⅞ per cent; four years 9¼-8⅞ per cent; five years 9¼-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep 7	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.546	3.067	227	10.34	2.648	3.458	2200	1.831	64.15
$	0.647	1	1.984	146.8	6.688	1.713	2.237	1423	1.184	41.49
DM	0.326	0.504	1	74.01	3.371	0.863	1.127	717.3	0.597	20.92
YEN	4.405	6.811	13.51	1000.	45.55	11.67	15.23	9692	8.066	282.6
F Fr.	0.967	1.495	2.966	219.5	10.	2.561	3.344	2128	1.771	62.04
S Fr.	0.378	0.584	1.158	85.73	3.905	1	1.306	830.8	0.691	24.23
H Fl.	0.289	0.447	0.887	65.64	2.990	0.766	1	636.2	0.529	18.55
Lira	0.455	0.703	1.394	103.2	4.699	1.204	1.572	1000.	0.832	29.16
C $	0.546	0.844	1.675	124.0	5.647	1.446	1.890	1202	1	35.04
B Fr.	1.559	2.410	4.781	353.9	16.12	4.128	5.390	3429	2.854	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling rallies

EVENTS MOVED in favour of short-sterling futures on Liffe yesterday, after early nervousness took the December contract through the overnight close of 86.35, which is also a support level. The contract opened at 86.33 and fell to a low of 86.32, before receiving a boost from news that the West German Bundesbank had left its credit policies unchanged. This was not unexpected, but helped to push sterling a little higher against the D-Mark, improving sentiment in London's financial markets.

Sentiment was also helped by the failure of the dollar to consolidate above DM1.9900, in spite of earlier speculation that a lack of change in German rates could send the US currency through DM2.00. December short sterling rose to a peak of 86.45, before closing at 86.43.

Monday's figures on UK retail sales for August are likely to be the next focus of attention, following yesterday's CBI distributive trades survey. Figures for August showed sales are steadying at a low rate of growth, but dealers pointed out that the slight pick up in retailing was hardly surprising given the very low levels recorded in July. After a fall in sales in successive months - for only the third time in eight years - it would be surprising if there was not a rebound in August sales.

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
91	4-00	4-61	0-08	0-17
92	3-08	4-07	0-16	0-27
93	2-21	3-22	0-29	0-42
94	1-41	2-42	0-49	0-62
95	1-05	2-03	1-13	1-23
96	0-42	1-35	1-50	1-55
97	0-25	1-08	2-33	2-28

Estimated volume total, Calls 533 Puts 550
Previous day's open int. Calls 5958 Puts 5087

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
94	3-53	4-34	0-29	1-18
95	3-03	3-57	0-43	1-41
96	2-22	3-19	0-62	2-03
97	1-48	2-49	1-24	2-33
98	1-17	2-18	1-57	3-02
99	0-58	1-56	2-34	3-40
100	0-41	1-33	3-17	4-17

Estimated volume total, Calls 106 Puts 35
Previous day's open int. Calls 1448 Puts 1581

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9250	1.84	2.09	0.12	0.37
9300	1.43	1.73	0.21	0.52
9350	1.07	1.41	0.35	0.69
9400	0.74	1.13	0.52	0.91
9450	0.51	0.88	0.79	1.16
9500	0.33	0.68	1.11	1.46
9550	0.20	0.51	1.48	1.79

Estimated volume total, Calls 1090 Puts 1322
Previous day's open int. Calls 6463 Puts 5298

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Sep	Calls-settlements Oct	Puts-settlements Sep	Puts-settlements Oct
140	14.45	-	-	-
145	9.45	[illegible]	0.00	0.25
150	4.45	4.65	0.16	0.74
155	1.02	2.12	1.75	2.76
160	0.07	0.79	5.81	7.02
165	0.00	0.23	10.74	11.49
170	0.00	0.03	15.74	16.36

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 235 Puts 22

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9050	[illegible]	[illegible]	[illegible]	[illegible]
9075	[illegible]	[illegible]	[illegible]	[illegible]
9100	[illegible]	[illegible]	[illegible]	[illegible]
9125	[illegible]	[illegible]	[illegible]	[illegible]
9150	[illegible]	[illegible]	[illegible]	[illegible]
9175	[illegible]	[illegible]	[illegible]	[illegible]
9200	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 254 Puts 284
Previous day's open int. Calls 6327 Puts 6877

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
8550	[illegible]	[illegible]	[illegible]	[illegible]
8575	[illegible]	[illegible]	[illegible]	[illegible]
8600	[illegible]	[illegible]	[illegible]	[illegible]
8625	[illegible]	[illegible]	[illegible]	[illegible]
8650	[illegible]	[illegible]	[illegible]	[illegible]
8675	[illegible]	[illegible]	[illegible]	[illegible]
8700	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 1826 Puts 1387
Previous day's open int. Calls 47082 Puts 28341

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT — £50,000 32nds of 100%: [illegible]

7-10 YEAR 9% NOTIONAL GILT — £50,000 32nds of 100%: [illegible]

US TREASURY BONDS 8% — $100,000 32nds of 100%: [illegible]

6% NOTIONAL GERMAN GOVT. BOND — DM250,000 100ths of 100%: [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND — Y100m 100ths of 100%: [illegible]

THREE MONTH STERLING — £500,000 points of 100%

	Close	High	Low	Prev.
Sep	86.02	86.03	85.95	85.96
Dec	86.43	86.45	86.32	86.35
Mar	87.22	87.24	87.11	87.14
Jun	87.81	87.82	87.75	87.78

Est. Vol. (inc. figs. not shown) 29173 (18628)
Previous day's open int. 94496 (95344)

THREE MONTH EURODOLLAR — $1m points of 100%

	Close	High	Low	Prev.
Sep	91.10	91.12	91.08	91.09
Dec	91.38	91.40	91.34	91.32
Mar	91.54	91.54	91.50	91.49
Jun	91.50	91.51	91.45	91.46

Est. Vol. (inc. figs. not shown) 7725 (4957)
Previous day's open int. 50892 (51050)

THREE MONTH EUROMARK — DM 1m points of 100%

	Close	High	Low	Prev.
Sep	92.72	92.75	92.67	92.67
Dec	92.69	92.72	92.63	92.63
Mar	92.77	92.78	92.75	92.73
Jun	92.91	92.91	92.91	92.86

Estimated volume 5475 (5337)
Previous day's open int. 13444 (15821)

FT-SE 100 INDEX — £25 per full index point

	Close	High	Low	Prev.
Sep	2410.0	2421.0	2394.0	2396.0
Dec	2461.0	2461.0	2439.0	2441.0
Mar	2501.0			2481.0

Estimated volume 4763 (4610)
Previous day's open int. 25269 (25441)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5460	1.5399	1.5277	1.5099	1.4815

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Sep	1.5414	1.5424	1.5398	1.5474
Dec	1.5230	1.5236	1.5206	1.5284
Mar	-	-	1.5060	1.5118

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%: [illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%: [illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr: [illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100: [illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM: [illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%: [illegible]

STANDARD & POORS 500 INDEX $500 times index: [illegible]

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
1.500	4.25	4.90	5.27	5.56	0.19	1.30	2.04	2.93
1.525	2.24	3.27	3.76	4.15	0.75	2.17	3.09	4.08
1.550	0.97	2.04	2.59	3.01	1.86	3.48	4.46	5.50
1.575	0.22	1.30	1.80	2.12	3.61	5.13	6.08	7.12
1.600	0.10	0.66	1.16	1.54	5.83	7.05	7.92	8.92
1.625	0.02	0.36	0.70	1.03	8.23	9.17	9.94	10.87
1.650	0.01	0.15	0.39	0.66	10.69	11.44	12.10	12.96

Previous day's open int: Calls 432,298 Puts 394,791 (All currencies)
Previous day's volume: Calls 13,840 Puts 15,777 (All currencies)

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
Allied Trust Bank	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm.	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Beneficial Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh.	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
● Charterhouse Bank	14	McDonnell Douglas Bnk	14		
Citibank NA	14	Midland Bank	14		
City Merchants Bank	14	Mount Banking	14		
		Nat Bk. of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Sanwise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 13.25% - 15%

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	May 90 Vol	May 90 Last	Stock
Gold C	$ 400	160	0.90	7	4.80	-	-	$ 359.80
Gold P	$ 360	120	7	-	-	-	-	$ 359.80
		Sep. 89		**Oct. 89**		**Jan. 90**		
EOE Index C	Fl. 300	57	22	264	24 b	10	31 b	Fl. 320.95
EOE Index C … EOE Index P, $/Fl C, $/Fl P, ABN C … Van Ommeren C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 98,321
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Bank more relaxed

THE WEST German Bundesbank left its credit policies unchanged at yesterday's council meeting, held in Mainz. This means the discount rate stays at 5 per cent and the Lombard emergency financing rate at 7 per cent. The news came as no great surprise to the financial markets, but was greeted with releaf, after suggestions that the strong German economy and a firm dollar will force a rise in interest rates in the near future.

The short end of the London money market was an area attracting some attention again yesterday, after recent action by the Bank of England to tighten day-to-day credit conditions.

UK clearing bank base lending rate
14 per cent
from May 24

It was noted that the authorities took out the entire shortage, in contrast to the recent tendency to provide rather less help than the underlying position has suggested. Not only was the full shortage absorbed, but the Bank of England seemed happy to conduct virtually its entire operations before lunch. This temporarily pushed overnight money down to 13⅞-13¼ per cent, but it firmed in the afternoon to close at 13$\frac{10}{16}$-13$\frac{12}{16}$ per cent. Three-month interbank finished a little firmer on the day at 14$\frac{1}{16}$-14 per cent, against 14$\frac{1}{32}$-14 per cent.

The more relaxed attitude of the authorities appeared to reflect the fact that bills were offered at 13⅞ per cent by a sufficiently wide number of market operators to suggest that the message about keeping rates tight has been accepted. In recent weeks the Bank of England has shown some concern about the slide in short rates to around 13½ per cent and has been keen reinforce the rate structure supporting 14 per cent base rates.

The Bank of England initially forecast a money market shortage of £450m, but revised this to £550m at noon. Total help of £561m was provided.

Before lunch the authorities bought £536m bills outright, by way of £68m Treasury bills in band 1 at 13⅞ per cent and £468m bank bills in band 1 at 13⅞ per cent. No more bills were purchased by the Bank of England in the afternoon, but late assistance of around £25m was provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £563m, with a rise in the note circulation absorbing £70m and bank balances below target £110m. These factors outweighed Exchequer transactions adding £300m to liquidity.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.7)	3 months US dollars		6 months US Dollars	
	bid 8⅞	offer 9	bid 8⅞	offer 9

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

		Treasury Bills and Bonds	
Prime rate	10½	One month	8.00
Broker loan rate	9¾	Two month	8.04
Fed. funds	9	Three month	8.04
Fed. funds at intervention	-	Six month	8.22
		One year	8.32
		Two year	8.24
		Three year	8.24
		Five year	8.16
		Seven year	8.18
		10 year	8.17
		30 year	8.09

Sep.7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

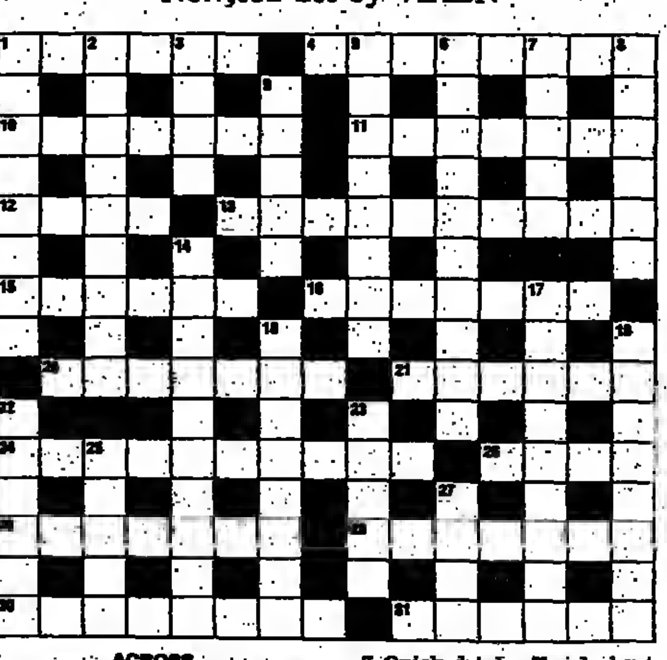
Sep.7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 13⅛ per cent; three months 13⅛ per cent; Bank Bills (sell); one-month 13¾ per cent; three months 13½ per cent; Treasury Bills; Average tender rate of discount 13.4198 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1989. Agreed rates for period September 26 to October 24, 1989, Scheme I: 14.76 p.c. Schemes II & III: 15.16 p.c. Reference rate for period August 1 to August 31, 1989, Scheme IV&V: 13.080 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from September 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10¼ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 10¼ per cent from May 25, 1989. Deposits withdrawn for cash 5 per cent.

JOTTER PAD

CROSSWORD

No.7,032 Set by VIXEN



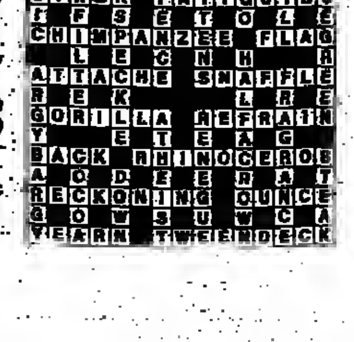
ACROSS

1 Soldiers grow weary, so get leave (6)
4 An arrangement to cut down (8)
10 Go miles astray finding a place in France (7)
11 Falling in the main (3-4)
12 Pour out and turn right (4)
13 Paying for colonisation (10)
15 The beast may well be a goner! (6)
16 Church official making report on parking available (7)
20 Irritated when required to accept cash (7)
21 Stiffening celebrity accorded honour (6)
24 Concerned with showing proper appreciation (10)
26 The more sanctimonious sort of supporter? (4)
28 Kitchen equipment needing new taps (4-3)
29 Check before opening (7)
30 Watched and obeyed (8)
31 Locked up in Capri's only jail (6)

DOWN

1 For a member of the family it's telling (8)
2 Clement, evincing some irascibility, took the fare (9)
3 Change gear in high dudgeon (4)
5 Proposal to provide public with running water (8)
6 A spread for the board (10)
7 Quick drink offered about four (5)
8 Some eight went, yet there's still a fair number (6)
9 The guy housed in a boat remains (5)
14 Custodian in control – one who is always calm (4,6)
17 Gets food into seamen, so causing delay (9)
18 A few words resulting in 31 across perhaps (8)
19 Woman artist, overweight – a furniture-designer (8)
22 Forces variation in the style of painting (6)
23 One quarter exercise, though far from fit (5)
25 Interviews about five hundred really good players (5)
27 Back the right hearing-device (4)

Solution to Puzzle No.7,031



WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

HONG KONG

AUSTRALIA

SINGAPORE

CANADA

TORONTO

2pm prices September 7

Quotations in cents unless marked $.

INDICES

NEW YORK — DOW JONES

	Sep 6	Sep 5	Sep 1	Aug 31	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2719.79	2744.68	2752.09	2737.27	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	93.13	93.13	93.18	93.05	94.15 (2/8)	87.35 (23/3)	-	-
Transport	1508.71	1532.01	1526.32	1509.42	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	214.91	217.24	218.62	217.30	221.64 (8/8)	181.34 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2752.09 (2768.24) Low 2697.95 (2731.76)

STANDARD AND POOR'S	Sep 6	Sep 5	Sep 1	Aug 31	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite †	349.24	352.56	353.73	351.45	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials	400.16	404.10	405.27	402.85	405.27 (1/9)	318.66 (3/11)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	33.14	33.32	33.49	33.26	33.59 (7/8)	34.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	194.18	195.84	196.37	195.27	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amex Mkt. Value	382.87	384.53	383.96	382.19	384.53 (5/9)	305.24 (3/1)	383.96 (1/9/89)	29.31 (9/12/72)
NASDAQ Composite	469.25	471.42	471.34	469.33	471.42 (5/9)	378.56 (3/1)	471.34 (1/9/89)	54.87 (31/10/72)

	Aug 25	Aug 18	Aug 11	year ago (approx.)
Dow Industrial Div. Yield	3.39	3.44	3.43	3.80
	Aug 30	Aug 23	Aug 16	year ago (approx.)
S & P Industrial div. yield	2.83	2.88	2.87	3.30
S & P Indl. P/E ratio	14.67	14.40	14 44	13.57

TRADING ACTIVITY † Volume

Millions	Sep 6	Sep 5	Sep 1
New York	163.329	146.775	133.300
Amex	11.728	12.102	12.587
OTC	(u)	121.138	115.463

NEW YORK	Sep 6	Sep 5	Sep 1
Issues Traded	1,961	1,962	1,935
Rises	414	613	891
Falls	1,085	826	481
Unchanged	462	523	563
New Highs	45	105	122
New Lows	25	23	11

CANADA

TORONTO	Sep 6	Sep 5	Sep 1	Aug 31	1989 High	1989 Low
Metals & Minerals	3815.1	3860.5	3919.2	3911.5	3919.2 (1/9)	3307.5 (3/1)
Composite	3971.3	3998.8	4014.6	4010.2	4019.7 (10/5)	3350.5 (6/1)
MONTREAL Portfolio	2031.17	2046.37	2053.80	2046.71	2053.80 (1/9)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Texaco	6,295,600	50⅝	- ¼	McDonald's	1,767,300	29⅝	+ ¼
First Interstate	2,967,700	68¾	- ⅛	Upjohn	1,657,400	40⅝	+ 1⅜
Gen Motors	2,519,900	50⅛	+ ⅛	Bristol Myers	1,555,000	51⅛	+ ⅛
Gt West Financial	1,929,400	21⅛	+ ¾	Eastman Kodak	1,497,500	48⅞	+ ⅞
Am T & T	1,859,600	39⅞	- ¼	Goodyear Tire	1,392,400	57⅝	+ 4⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Sep. 7	Sep. 6	Sep. 5	Sep. 4	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1751.1	1776.7	1778.0	1763.9	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	856.2	875 1	873.1	861.9	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	439.06	437.37	433.21	427.95	439.06 (7/9)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6610.22	6623.77	6576.99	6529 47	6623.77 (6/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	330.32	331.19	333 65	335.78	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	752.8	744.2	744.8	753.7	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	533.5	534 8	534 8	531 6	534.8 (5/9)	417.9 (4/1)
Ind. Tendance (30/12/88)	125.8	125.9	125.1	125.1	125.9 (6/9)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	679.37	679.75	680.12	673.35	680.12 (5/9)	535.78 (27/2)
Commerzbank (1/12/53)	2033.6	2034.8	2036.9	2016.5	2036.9 (5/9)	1595.7 (27/2)
DAX (30/12/87)	1641.19	1633.55	1637.47	1623.98	1641.19 (7/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2583.16	2577.62	2572.41	2550.25	3309.64 (15/5)	2093 61 (5/6)
ITALY						
Banca Com. Ital. (1972)	715.01	725.67	729.95	728.82	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34152.56	34271.31	34441.95	34483 7	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2593.39	2602.70	2613.34	2614.59	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	270 4	266.7	265.8	263.3	270.4 (7/9)	208 3 (3/1)
CBS All Shr (End 1983)	209.5	206.7	206.0	204 0	209.5 (7/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	676.54	674.30	671.68	673 81	679.36 (31/8)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1406 63	1396.68	1388 08	1362.28	1406.65 (7/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1557.0♦	1549.0	1524.0	1527.0	1685 0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2781.0♦	2778 0	2764.0	2794.0	2838.0 (25/8)	1961.0 (5/1)
SPAIN						
Madrid SE (30/12/85)	324.76	324.57	325.42	325.20	325.42 (5/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4469.1	4480.4	4511 7	4497.4	4660.3 (16/8)	3333 9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	828.5	829.1	825.6	823.0	829.1 (6/9)	613 1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	530.2	532.5	534.5	551.2 (3/8)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday September 7 198

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	12.9m	785	-15	Nissin Food	10.9m	4,650	+300
Sanwa Shutter	12.5m	2,170	+180	Ube Industries	9.3m	888	+26
Daikyo	12.4m	4,880	+290	Eisai	9.0m	2,530	+110
Kyowa Hakko K.	11.4m	1,816	+70	Sumitomo Wrhs	7.3m	1,330	+50
Sumitomo Metal	11.1m	758	-1	NKK	6.3m	740	-18

3pm prices September 7

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
35⅝	21¼	AAR	.44	1.2	25	608	u36¼	36¼	36	+ ⅛
10⅛	8⅛	ACM n	1.01	11.		169	9⅛	9⅛	9⅛	+ ⅛
11⅝	10¼	ACMIn	1.26a	11.		721	11⅛	11⅛	11½	
10⅛	8½	ACM M	n1.01	11.		145	9⅛	9⅛	9⅛	– ⅛
11½	10	ACM Sc	1.26	11.		1144	11⅛	11⅛	11⅛	– ⅛
9⅝	8⅛	ACMSp	1.01	11.		295	9⅛	9⅛	9⅛	– ⅛
18	11½	4L Lnd	.12	.7	18	120	17	16½	16⅞	+ ⅛
4⅛	2⅛	AMCA	.12n	2.1	26	30	3⅞	3⅞	3⅞	
6⅛	4⅛	AM Intl				682	5⅛	5⅛	5⅛	
23½	20⅛	AM In pf	2	9.1		11	22⅛	22	22	– ⅛
95	43⅝	AMR			10	14321	87⅛	83⅛	84½	–2½
27	25	ANR pf	2.67	10.		4	25½	25½	25½	– ⅛
7⅛	2⅛	ARX				18	4	4	4	
44⅛	35½	ASA	3a	7.0		104	43	42⅞	42⅞	– ⅛
22⅝	15⅛	AVX	.24	1.2	9	181	20⅛	19⅞	20⅛	– ⅛
66	44⅛	AbtLab	1.40	2.3	17	1677	62⅞	62	62⅛	– ⅛
16⅛	13⅛	AbrdbI g	1			108	15	14⅞	15	
13	7½	AcmeC	.40	3.6		80	11	10⅞	11	+ ⅛
9⅛	5⅞	AcmeE	.32	3.4	11	30	9½	9½	9⅛	+ ⅛
34⅞	20⅛	Acuson			24	32	33⅞	33⅛	33⅛	
17	14⅛	AdaEx	1.82e	11.		75	17	16⅛	17	+ ⅛
12⅛	8½	Adobe				87	12½	12⅛	12⅛	– ⅛
10⅛	10½	Adob pf	1.84	6.8		4	10⅛	10⅛	10⅛	
21⅛	19⅛	Adob pf	2.40	11.		4	21	21	21	
11⅞	7⅛	AMD				1629	8⅛	8⅛	8⅛	+ ⅛
36	28⅞	AMD pf	3	6.0		4	30⅛	30⅛	30⅞	
10⅛	6⅛	Advest	.12	1.4	15	35	8⅛	8⅛	8⅛	
66⅛	45	AetnLf	2.76	4.8	9	552	58	57½	57½	– ⅛
14	12⅛	AflPb				90	13½	13⅞	13⅞	
20⅛	15⅞	Ahmans	.88	3.8	11	5710	28⅛	22⅞	28	+ ⅛
4½	2⅛	Aileen				357	3⅛	3⅛	3⅛	– ⅛
43⅛	37⅛	AirPrd	1.32	2.8	12	1121	47⅛	47⅛	47⅛	+ ⅛
37⅛	18⅞	AirbFrt	.60	1.6	24	118	37	36⅞	35⅛	
26⅛	13⅞	Airgas			14	281	23	22⅞	27⅞	
20½	16	Airlease	2.40	12.	9	17	20⅛	20⅛	20⅛	– ⅛
18	8½	AlaP dpf	.87	0.2		2	8½	8⅛	8½	
98⅛	88⅛	AlaP pf	8	8.6		z10	94	94	94	–1
107	102	AlaP pf	11	11.		z70	104	104	104	–1
100½	93	AlaP pf	9.44	9.8		z20	96	95	96	–1

Continued on Page 41

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous Page										
4⅝	½	vjRaytc				17	2⅛	2	2	
81¼	65⅜	Raythn	2.20	2.8	10	651	79¾	79⅜	79½	
1⅞	15-16	RdgB wi				98	u 1½	1⅛	1⅜	− ⅛
17¼	15¼	REIT	1.38	8.3	18	130	16⅞	16⅝	16⅝	
12⅞	8½	RecnEq				87	8	7¾	7⅞	
18¾	9½	Reebok	.30	1.8	14	x3188	16⅞	16	16⅜	+ ⅛
16	11⅝	Reece	.15e	1.3	17	16	11⅝	d11⅛	11⅝	− ¼
7-16	7-64	Regal				40	5-32	5-32	5-32	
9⅛	5⅞	RegIFn	.25e	2.8		229	9	8	8	
15¾	12½	ReichTg	1.75	12.	10	16	15⅞	15¼	15⅜	
8⅝	4¼	RelGrp	.32	4.0	29	384	8	7⅞	8	
21⅞	16¼	Repsol n				1574	20⅝	20⅜	20⅝	+ ¼
8¼	4¼	RepGyp	.20	4.2	36	40	4⅞	4⅝	4⅞	
51⅝	41	RepNY	1.28	2.7	9	69	47¾	47½	47½	+ ⅛
10⅞	6⅝	Rxene	1a	13.	2	447	7¾	7½	7¾	+ ¼
33⅝	16⅛	ReyRey	.76	2.9	9	65	26¼	26	26	− ⅛
62¾	45⅞	ReyMtl	1.80	3.1	6	2736	58⅛	57⅞	57¾	− ⅝
40¾	29⅛	RiteAid	.82	2.1	17	1042	39¾	39⅛	39⅝	+ ⅞
11-16	3-16	RvrOak				6	3-16	3-16	3-16	
13⅞	8⅝	Robtsn				599	u13¾	13	12	− ⅛
33½	21⅞	vjRobins			14	541	32¾	32⅛	32½	− ⅛
21⅝	18¾	RochG	1.50	7.7	10	78	19¾	19⅝	19⅝	− ⅛
44⅛	29⅞	RochTl s			19	414	43⅞	42¼	42⅜	− ¼
20⅞	18½	RckCtr	1.84	9.1	18	160	20¼	20⅛	20¼	− ⅛
24⅛	16⅝	Rockwl	.76	3.2	8	6747	u24⅛	23⅝	24⅛	+ ⅝
8⅝	4⅞	RodRen				37	6⅞	6⅞	6⅞	
37⅞	30¼	RoHaas	1.20	3.3	11	1769	u37½	36⅝	36⅝	+ ¼
37⅞	25⅜	Rohr			16	564	31⅝	31¼	31¼	− ⅞
15⅞	8	RollnE	.06	.7		398	10¾	10½	10¾	+ ⅛
21	16⅞	Rollins	.54	3.0	18	42	18	17⅞	18	
46¼	35⅞	Rorer	.60	1.8	22	2605	45⅞	44⅛	44⅞	
22⅝	14⅝	Zenithe				1086	15¾	14½	15½	+ ½
16⅞	8⅞	Zeninc	1.28		14.	194	9	8⅞	9	
2¾	1⅛	vjZenLb				310	1⅞	1⅞	1⅝	+ ⅛
21½	15	ZenNtl	.84	4.2	9	50	20⅛	19⅞	19⅝	− ⅛
18½	11⅛	Zero s	.40	2.2	10	98	18⅛	18⅛	18⅛	
44⅛	25⅛	Zurnin	.60	1.7	19	202	39⅞	39⅞	39⅞	
12	10	Zweig	1.08e	9.4		288	11⅞	11⅝	11⅞	
10⅛	8¼	Zweig n	.96	10.		1324	9⅝	9½	9½	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid is preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends is arrears. n-new issue is the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid is preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution data. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices September 7

OVER-THE-COUNTER

Nasdaq national market, 3pm prices September 7

AMERICA

Bargain hunters lead Dow to continued recovery

Wall Street

ENCOURAGED by the rebound from lows near 2,700 on Wednesday, the Dow Jones Industrial Average registered modest gains by midsession yesterday in a sbow of considerable resilience, *writes Janet Bush in New York.*

At 2 pm, the Dow was quoted 4.18 points higher at 2,723.97 on moderate volume of 98m shares. Otber major indices were also quoted marginally higher.

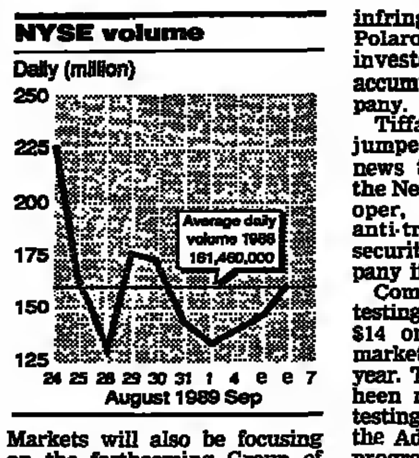
It is quite significant for sentiment in this market that the Dow managed to come back from a loss of 36 points on Wednesday to close just under 25 lower.

The buying seen in the morning was a continuation of the bargain-hunting which emerged on Wednesday afternooo. There were reports of foreign interest in US issues as well as huying hy domestic institutions.

The bond and currency markets were both encoureging background influences yesterday. The dollar rose sharply again yesterday and remained near its highs in spite of co-ordinated selling by central banks including the US Federal Reserve.

The bond market rose modestly as well although there was no concrete news belping Treasuries. Financial markets will have to wait until the latter end of next week before they get any more major economic news on whicb to judge the direction of interest rates.

NYSE volume



Markets will also be focusing on the forthcoming Group of Seven meeting for any statements on dollar and interest rate policy.

Some marginal help was given to both bond and stock markets from the call by Mr Michael Boskin, top economic adviser to President Bush, for the US Federal Reserve to ease monetary policy.

Another positive factor for the equity market has been a hurst of takeover and otber kinds of rumours. Goodyear Tire & Ruhber, for example, yesterday added to its gains on Wednesday on rumours tbat Pirelli of Italy may make an offer for the company. At midsession, Goodyear was quoted $¾ higher at $57¾, huilding on its jump of $4⅛ in the previous session.

Eastman Kodak added $1 to $49½ on various rumours including talk about a favourable settlement in its patent infringement suit case with Polaroid and a rumour that investor Mr Carl Icahn may accumulate a stake in the company.

Tiffany, the store group, jumped $4½ to $58¾ after news that Mr Donald Trump, the New York real estate developer, had received Federal anti-trust clearance to huy securities or assets of the company if be so wishes.

CompuChem, an analytical testing company, rose $⅝ to $14 on the over-the-counter market, its highest level in a year. The company's stock has heen rising because its drug testing service may profit from the Administration's expanded programme to combat illegal drug use.

One of the most heavily traded stocks on the New York Stock Exchange yesterday was Allergan which dropped $2⅞ to $21⅝ after the company reduced its sales forecast for the year dne to lower than expected revennes from its optical division.

Canada

AT midday Toronto ahare prices were flat in a sluggish market. The composite index dropped 1.5 to 3,969.8, with declines even with advances at 229 to 227, on volume of 11m shares.

Canadian Imperial Bank reported higher third quarter earnings and its stock gained C$¼ to C$29⅞. The bank is also increasing its quarterly dividend from 31 to 33 cents a share.

Portuguese bourse enjoys a hot summer

Patrick Blum on the foreign interest and privatisations that have sent shares surging

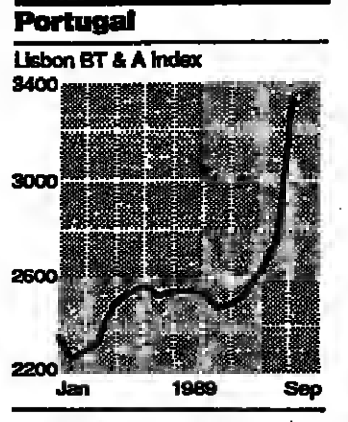
LISBON's once-sleepy bolsa has taken a giant step in the past five weeks, with a spate of hectic trading which has sent share values soaring.

The Banco Totta e Acóres (BTA) index rose 28 per cent from 2,578.8 on July 31 to 3,309 on September 4, before a correction which left the index at 3,199 yesterday.

Most analysts believe that the upward trend will continue. Mr Joao Rendeiro, managing director of Gestifundo, one of Portugal'a new fund management companies, says: "Shares went up too sharply, and we anticipated a retrenchment of the index. But these (downward movements) will remain small. We are still very positive about prospects."

Foreign investors seem to have put in the initial bounce. Along with Portuguese groups, they moved in last spring to take advantage of the Government's ambitious privatisation programme.

Portugal



With demand for shares outstripping supply, many of the British, Spanish, West German and French bnyers, whose appetite for privatised Portuguese shares could not be satisfied, decided to shop around for other paper on the Lisbon and Oporto exchanges. Foreigners accounted for about half the turnover in shares in August.

The first part-privatisation took place in April, when 49 per cent of Unicer, an Oporto-based brewer, was floated. The issue was three times oversubcribed, and strong foreign demand was restrained by a 10 per cent restriction on overseas ownership.

In July, the sale of shares in Banco Totta e Acóres, the fourth largest state-owned bank, was 4.5 times oversubscribed, having attracted a large number of foreign investore. The hank raisad Esc28.5bn (US$181m) for 49 per cent of its capital in the biggest-ever operation on the Lisbon market.

Local analysts say that foreign investors had been looking for markets that had not fully recovered from the 1987 crash and that Portugal was an obvious choice: it has low labour costs, an attractive location, high returns on investment and the potential for one of the highest growth rates in Europe. The Government's privatisation drive provided an additional incentive.

Two insurance companies, Aliança Seguradora and Tranquilidade, are due for privatisation this aufumn. Thereafter, says the Government, it wants to continue at a rate of one every 45 days, though thia seems somewhat overambitious.

Future issues will be for Banco Portugues do Atlantico, the largest commercial bank; Cimentos de Portugal (Cimpor), one of the country's most powerful industrial groups; the Sociedade Nacional de Armadores de Pesca (SNAP), a fishing fleet operator; and Sociedade Central de Cervejas (Centralcer), the second-largest brewer. The Government is said to want to privatise all of these in full, except Cimpor where it will retain 51 per cent because of its strategic importance to the economy.

The privatisation programms will add further urgency to moves aimed at modernising the exchanges. The settlement systems in Lisbon and Oporto need streamlining, and plans to establish a unified compnterised market between the two cities for this autumn may be delayed until early 1990, due to technical difficulties.

Several foreign companies and banks are preparing to expand their activities. New Portuguese financial houses are gearing up for new services. Later this month, Gestifundo will launch an Esc8bn (US$50m) Capital Portugal Fund to channel investment into listed and unlisted Portuguese companies. Baring Securities will act as investment adviser.

The launch will be made simultaneonsly in Lisbon, Paris, London, Switzerland, Benelux, Scandinavia, Spain and Italy. Mr Rendeiro says the fund has attracted great interest and is already 50 per cent underwritten.

ASIA PACIFIC

Nikkei slips on interest rate uncertainties

Tokyo

CURRENCY and interest rate uncertainties spread disenchantment with large volume issues and the Nikkei average retreated for the third consecutive day in thin trading, *writes Michiyo Nakamoto in Tokyo.*

Overnight weakness on Wall Street, and speculation that the West German Bundesbank would raise the Lombard rate at yesterday's meeting contributed to the gloom. The Nikkei average closed down 118.75 at 34,182.56. The day's high was at 34,299.75 while the low was at 34,110.54. Declines led advances by 532 to 410 and 168 issues were unchanged.

Turnover rose moderately to 634m shares from the 582m traded on Wednesday. The Topix index of all listed shares lost 9.21 to 2,593.33. In London, the ISE/Nikkei 50 index rose 6.76 to 2,026.45.

On a short-term view, the bearish contingent seemed to be growing, with more voices indicating a fall to 34,000 for the Nikkei. Although the yen's weakness and the Bank of Japan's policy of higher short-term interest rates were most commonly cited, there was some concern on the political front with the extraordinary parliamentary session due to convene in October.

Yesterday's much-heralded triple witching hour, when the September contracts for the Nikkei and Topix futures and options expired, did not cause severe price fluctuations in the end. Most investors had already transferred their positions to the December contract.

The selling of heavily capitalised issues continued to grow. Many of these are constituents of the Nikkei index and help to explain its decline, said Mr Shin Tokoi at County NatWest.

Nippon Steel, a benchmark issue, fell below a previous low of Y777 hit only a week ago, and triggered selling of steel stocks by institutional investors – who sold even at a loss. Nippon Steel topped the most actives list with 12.9m shares and lost Y18 to Y765. NKK retreated Y18 to Y740 in active trading.

On the positive side, investors continued their pursuit of small companies with low price/earnings ratios. Names with an unfamiliar ring have been marching on to centre stage, with many appearing on the list of most active issues in spite of the generally smaller number of shares they have available to trade.

The favoured small capital issues were not restricted to any sector. They included Sanwa Shutter, Japan's largest maker of shutters, which surged Y180 to Y2,170, and Nissin Food, popular for its plan to introduce a "Super Boil" device which quickly heats instant cupped noodles and other foods using a chemical device. Nissin surged Y300 to Y4,650 in active trading.

Daikyo, a condominium builder, rose Y290 to a record high of Y4,890 on the strength of its good earnings and on speculation about a scrip issue following similar moves by other companies. Daikyo was third in volume with 12.4m shares.

In Osaka, selling of big companies did not stop the OSE average closing up 68.87 at 34,703.67. Volume climbed further to 84m shares from 73m previously. Ono Pharmaceutical advanced Y430 to Y5,930 in active trading.

UNION Bank of Switzerland has shelved a SFr30m convertible issue for Toyo Sanso because the shares of the Japanese oxygen producer, up Y200 at Y1,670 in Tokyo yesterday, had risen almost Y500 in the past week. UBS said in Zurich neither it nor the would-be borrower had anything to do with the share gain.

Roundup

THERE were firsts for Singapore and Taiwan yesterday, with the former reaching a post-crash high and the latter an all-time peak. But Australia lost ground and Hong Kong was still quiet.

AUSTRALIA fell heavily in line with losses in New York and London on Wednesday. The All Ordinaries index was down 25.6, or 1.5 per cent, at 1,751.1 in fairly busy turnover of 120m shares worth A$272m. The index has risen 15 per cent in the past couple of months.

Western Mining fell 24 cents to A$6.54 after announcing sharply higher annual profits which were none the less below market expectations.

Bond Corp was steady at 43 cents before news of the National Companies and Securities Commission's inquiry into the Bond empire and the attempt at a rescue package by Mr John Elliott, chairman of Elders IXL. One broker said about 5m Bond Corp shares are registered as short sold.

Industrials were badly hit, with BHP down 25 cents to A$10.30 and News Corp off 15 cents at A$16.70. Amcor shed 7 cents to A$4.75 before announcing a 1-for-8 rights issue.

SINGAPORE pursued its strong rally, pushing through the 1,400 level for the first time since the crash. The Straits Times industrial index gained 9.95 to 1,406.63 to leave it 6.6 per cent below its August 1987 record of 1,505.40.

After an initial weakening in line with foreign markets, the buyers surged back in, swelling turnover to 105.8m shares from Wednesday's 100.8m. Hotels, retailers and property stocks performed well.

TAIWAN climbed strongly after several nervous days when a Chinese horoscope forecasting a market crash yesterday had kept investors at bay. When the prediction failed to materialise, buyers rushed back in, pushing the weighted index up 204.88 to a record high of 10,172.49.

HONG KONG edged higher again, giving the optimists encouragement as it did not succumb to pressure from falls overseas. The Hang Seng index rose 5.54 to 2,583.16 in turnover of HK$797m, up from HK$694m.

SOUTH AFRICA

SUPPORTED by positive sentiment following the general election result, Johannesburg ended firm, with gold shares showing strong gains.

EUROPE

Amsterdam hits new high amid relief over election

RELIEF, political and macro-economic, was a significant driving force yesterday, *writes Our Markets Staff.*

AMSTERDAM burst forward to a record high on heavy foreign and domestic buying, following the victory for Mr Ruud Lubbers, the prime minister, in Wednesday's general election.

Turnover rose to nearly Fl 1.2bn, up from Fl 1.1bn on Wednesday, and the CBS all-share index reached a new high of 209.5, up 2.8, while the tendency index was up 2.6 at 196.3.

The steepness of the rise was somewhat surprising, said one salesman, given that the path to a new coalition may not be entirely smooth following the election. "People are just relieved it's out of the way, while other countries like Germany have theirs to come," he said.

Philips rose Fl 1.90 to Fl 46.70 on huge turnover of 3.4m shares, or almost 1 per cent of its total share capital, through the Dutch market alone. Foreign and domestic demand remains strong following some buy recommendations and "no one wants to get left behind," said the salesman.

Heineken was another strong performer, up Fl 5.80 at Fl 142.80, while transporter Nedlloyd gained Fl 2.30 to Fl 93.30. Fokker, which is due to hold a presentation in Germany today, rose Fl 2.10 to Fl 49.90.

FRANKFURT had another big day, moving fast from initial pessimism on Wall Street and interest rates to the news, only half an hour after the start, that the Bundesbank was going to leave key interest rates unchanged.

Market indices reflected the course of events with the FAZ, calculated at mid-session, 0.38 points lower at 679.37 but the DAX 7.64 higher at the close, at 1,614.19. Volume eased again, from DM6.2bn to DM5.3bn.

The other event that left dealers cautious on Wednesday – a combination of rights issues from Dresdner Bank, Lufthansa and Daimler which could add up to DM4bn – were now seen in a different light, as they recalled that the market absorbed DM12bn of rights issue calls in 1986.

Retailers were sharply higher, as Asko gained DM20 to DM890, Horten DM15 to DM300 and Kaufhof DM12 to DM572. Here, the planned tax reform of 1990 is expected to unleash a wave of consumer demand; along with that there is the surge in the number of immigrants into Germany, which has already led to gains in construction industry stocks.

Bank shares were mixed. Deutsche Bank, the ultimate blue chip, gained DM2.20 to DM683.70 but Dresdner dropped another DM2.50 to DM351.50 on the pricing of its DM1.2bn rights issue. Lufthansa, which is raising DM942m by the same route, rose DM9.50 to DM210m, on the argument that it is giving a bigger discount to shareholders.

PARIS shrugged off government forecasts of a higher trade deficit this year and rose on healthy volume as investors welcomed corporate news and the absence of an interest rate increase in Germany. Overseas buyers played an active part in the day's gains.

Suez was a star, jumping FFr18.50 to FFr386 amid a spate of bullish events: Mr Renaud de La Genière, the chairman, said the takeover of Compagnie Industrielle and Groupe Victoire would not dilute Suez's 1989 earnings and he claimed that the shares were undervalued. Meanwhile Colonia, the West German insurance company in which Groupe Victoire is taking a majority stake, said it expected higher parent net profits this year.

Carrefour, the supermarket chain, surged in heavy volume before news of a 36 per cent rise in first half profits. The stock closed at a year's high of FFr3,614, up FFr84, after reaching FFr3,630.

SEB, the white goods producer, fell FFr51 to FFr1,029 after its nearly 27.5 per cent rise in first half net profits, released on Wednesday.

The OMF 50 index rose 3.14 to 532.67 and volume was estimated at FFr2.6bn after Wednesday's very heavy FFr3.2bn.

MILAN fell again as the Banca Nazionale del Lavoro (BNL) scandal cast its shadow over the banks, and the market as a whole. The Comit index shed 10.66 points to 715.01 for a two-day fall of 2 per cent.

Correction

THE French market rose by 1 per cent on Monday, not by 2 per cent as reported in the Financial Times on Tuesday. A technical fault affected provision of the OMF 50 index by the index compilers last Friday and Monday. The correct figures should have been 523.93 (-0.18) on Friday, and 529.25 (+5.32) on Monday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 6 1989						TUESDAY SEPTEMBER 5 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	154.98	+0.0	147.98	135.53	−0.2	4.86	154.91	149.33	135.83	157.14	128.28	142.39
Austria (19)	149.08	+1.7	142.37	153.26	+1.0	1.59	146.54	141.26	151.74	150.87	92.84	87.52
Belgium (63)	133.88	+1.2	127.86	136.69	+0.5	4.05	132.30	127.53	136.05	137.97	125.58	114.40
Canada (123)	151.04	−0.5	144.24	129.00	−0.6	3.13	151.75	146.28	129.83	153.59	124.87	117.81
Denmark (36)	191.30	−0.4	182.69	200.02	−0.8	1.57	181.98	185.06	201.84	218.89	165.35	122.80
Finland (26)	130.35	+0.3	124.48	121.90	−0.4	2.25	130.02	125.33	122.38	159.18	125.81	115.04
France (126)	130.48	+0.8	124.62	136.17	−0.1	2.77	129.49	124.83	136.35	133.44	112.57	92.18
West Germany (98)	98.18	+0.7	93.75	100.80	−0.1	2.02	97.52	94.01	100.95	100.53	79.56	76.49
Hong Kong (48)	108.32	+0.3	103.44	108.81	+0.3	5.11	107.99	104.10	108.27	140.33	88.41	103.18
Ireland (17)	152.98	+1.0	146.09	159.73	+0.4	2.78	151.43	145.97	159.17	166.69	125.00	133.40
Italy (97)	93.91	+0.1	89.68	99.35	−0.7	2.26	93.83	90.45	100.00	98.73	74.97	70.84
Japan (455)	177.77	+0.0	169.76	164.40	−0.5	0.49	177.79	171.39	165.26	200.11	164.22	158.52
Malaysia (36)	193.41	+1.1	184.70	201.34	+1.0	2.42	191.32	184.42	199.35	193.41	143.35	138.62
Mexico (13)	300.77	+2.0	287.23	845.14	+1.8	0.60	294.77	294.15	829.90	300.77	153.32	145.18
Netherland (43)	125.76	+1.1	120.10	127.65	+0.3	4.09	124.36	119.87	127.28	130.67	110.63	102.45
New Zealand (20)	86.56	−1.3	82.66	77.86	−1.7	4.44	87.73	84.57	79.20	88.18	62.64	73.66
Norway (24)	184.32	+0.6	176.02	180.13	+0.2	1.44	183.13	176.53	179.77	198.39	139.92	109.19
Singapore (26)	168.40	+1.2	160.81	153.46	+1.1	1.82	166.35	160.35	151.78	170.62	124.57	121.76
South Africa (60)	157.14	+2.8	150.06	136.03	+0.8	4.15	152.81	147.30	134.96	157.14	115.35	106.88
Spain (43)	158.74	+0.1	151.59	148.33	−0.5	3.46	158.65	152.93	149.15	160.94	143.14	139.69
Sweden (35)	179.71	+0.0	171.62	177.39	−0.5	1.94	179.74	173.28	178.21	168.94	138.45	114.74
Switzerland (64)	90.32	+1.1	86.26	95.42	+0.3	1.98	89.30	86.08	95.11	94.16	67.81	75.24
United Kingdom (307)	152.28	−0.5	145.42	145.42	−1.4	4.03	153.05	147.53	147.53	158.41	133.28	125.15
USA (549)	142.13	−0.9	135.73	142.13	−0.9	3.27	143.45	138.28	143.45	143.84	112.13	108.63
Europe (998)	128.62	+0.2	122.83	127.62	−0.7	3.23	128.42	123.79	128.50	132.62	112.63	102.07
Nordic (121)	164.85	+0.0	157.42	159.70	−0.5	1.78	164.93	158.98	160.52	178.38	137.95	108.65
Pacific Basin (670)	174.41	+0.0	168.55	161.28	−0.5	0.73	174.41	186.13	192.08	194.72	160.44	155.64
Euro – Pacific (1668)	158.23	+0.1	149.19	147.68	−0.8	1.56	156.15	150.52	148.51	166.98	141.56	134.23
North America (672)	142.56	−0.9	136.14	141.31	−0.9	3.26	143.85	138.66	142.60	144.24	112.79	109.11
Europe Ex. UK (691)	113.53	+0.7	108.41	116.61	−0.1	2.63	112.79	108.72	116.75	116.28	96.30	87.66
Pacific Ex. Japan (215)	133.86	+0.1	127.83	121.81	+0.0	4.47	133.68	128.68	121.95	137.65	111.93	121.04
World Ex. US (1864)	156.15	+0.1	149.11	147.18	−0.5	1.64	156.05	150.43	147.99	166.35	141.49	133.42
World Ex. UK (2106)	149.88	−0.2	143.13	145.44	−0.6	2.00	150.25	144.83	146.31	155.66	136.98	123.65
World Ex. So. Af. (2353)	150.04	−0.3	143.28	145.48	−0.7	2.17	150.47	145.05	146.48	155.92	136.67	123.86
World Ex. Japan (1958)	137.28	−0.4	131.10	135.96	−0.8	3.31	137.88	132.92	137.01	138.29	114.51	107.13
The World Index (2413)	150.08	−0.3	143.32	145.41	−0.7	2.19	150.48	145.06	146.39	155.89	136.68	123.77

Latest prices were unavailable for this edition.